



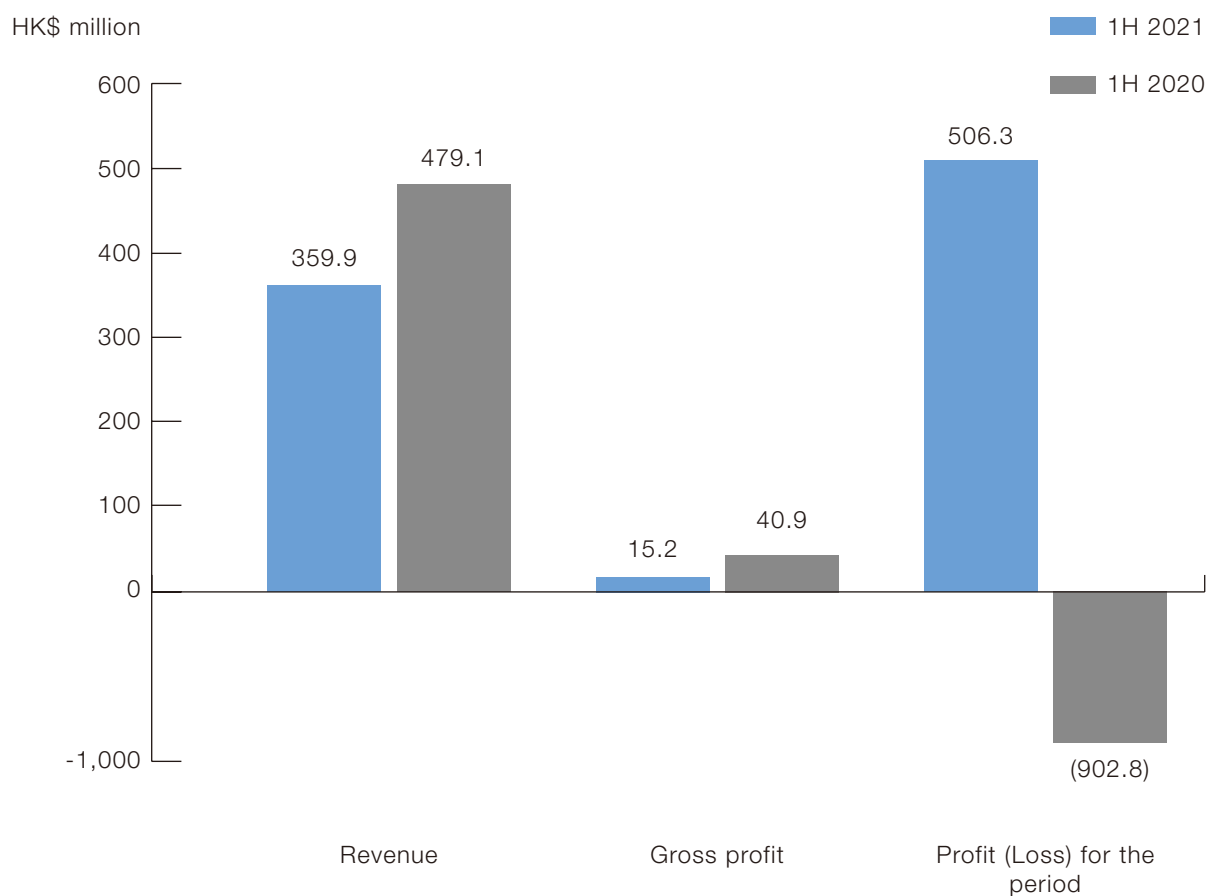
Contents

Financial Highlights	2
Corporate Information	3
Message to Shareholders	4
Management Discussion and Analysis	7
Disclosure of Additional Information	18
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	27
Condensed Consolidated Statement of Financial Position	28
Condensed Consolidated Statement of Changes in Equity	30
Condensed Consolidated Statement of Cash Flows	31
Notes to Condensed Consolidated Financial Statements	33



Financial Highlights

	Six months ended 30 June		
	2021 (Unaudited)	2020 (Unaudited)	Change %
Revenue (HK\$'Mn)	359.9	479.1	(24.9)
Gross profit (HK\$'Mn)	15.2	40.9	(62.8)
Profit (Loss) before tax (HK\$'Mn)	506.3	(902.8)	N/A
Profit (Loss) for the period (HK\$'Mn)	506.3	(902.8)	N/A
Basic earnings (loss) per share (HK cents)	5.7	(10.5)	N/A
Diluted earnings (loss) per share (HK cents)	3.9	(10.5)	N/A
Interim dividend per share (HK cents)	Nil	Nil	N/A



Corporate Information



BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Zihua (*Acting Chairman*)

Mr. Liu Shuhang

Non-executive Director

Mr. Gao Dongsheng

Independent non-executive Directors

Ms. Dong Hongxia

Mr. Ng Kwok Pong

Mr. Yeung Kit Lam

COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, ACS, HKICPA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1002, 10th Floor
Tower A, Cheung Kei Center
18 Hung Luen Road
Hung Hom
Kowloon
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
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

The Export-Import Bank of China Jilin Province Branch
Floor 19-21, Honghui International Square
No. 3299 Renmin Road, Chaoyang District
Changchun, Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
Cricket Square
PO Box 1093, Boundary Hall
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

During the period under review, with the increasing COVID-19 vaccination rates, countries around the world were actively preparing for the return to normal economic activities. Under the strict implementation of pandemic control measures by the central government, most of the industries in China had gradually resumed normal activities. Compared with other developed countries, China's overall economic growth was especially prominent. According to the National Bureau of Statistics of China, the gross domestic product of China in the first half of 2021 has grown by 12.7% year-on-year. However, the emergence and the spread of COVID-19's new variants in a number of countries and regions had caused different levels of disruption to commercial activities. The global economy was still hampered by the pandemic. Under the influence of economic globalisation, it was inevitable that the recovery pace of China's economy would be compromised to a certain extent.

The operating environment was still under the shadow of uncertainty. Moreover, China's corn price remained high in the first half of 2021, to the extent that such price increment rate exceeded those of the Group's upstream and downstream products. As such, the Group continued to suspend most of its production operations during the Period to minimise operating cash outflow and secure sufficient financial resources. During the Period, the Group focused on solving the Group's heavy debt, which is fundamental to get the Group's business back on track through the improvement in its overall financial position. In the first quarter of 2021, we made a breakthrough in the debt restructuring plan and received the compensation from the resumption of certain land parcels in Luyuan District, Changchun, by the local government. Consequently, the results of the Group for the first half of the year significantly has improved, with the recognition of a net profit of over HK\$500 million.

BUSINESS REVIEW

The Group's management deeply understands that heavy debt burden would hamper the healthy recovery of its business, while the enormous interest expenses for each year further exacerbate the existing cashflow squeeze. With the management's determination and unrelenting efforts, the Group finally succeeded in completing the first phase of debt restructuring in the first quarter of this year.

In February 2020, Jilin Branch of Bank of China, one of the lending banks of the Group, transferred all the rights and benefits of the outstanding loans (the "**BOC Transferred Loans**") of the Group, Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**"), a subsidiary of the Company, and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") to 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**China Cinda**"). After China Cinda transferred the BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**") in January 2021, each of the Group, the GSH Group and Dajincang entered into repurchase agreements with Changchun Rudder in March 2021, for the purchase of each of their respective portions of the BOC Transferred Loans. Upon the completion of the aforesaid Repurchase Agreements at the end of March, all the obligations of the Group and the GSH Group as guarantors under the financial guarantee contracts in respect of the indebtedness of Dajincang have been discharged. The Group is currently negotiating with China Cinda on the matter in relation to the transferred loans of two other lending banks of the Group, namely Jilin Branch of Agricultural Bank of China Co., Ltd. and Jilin Branch of China Construction Bank Corporation, through which the Group hopes to be free from the heavy interest burden and lay the foundation for the gradual resumption of the Group's production operation in future.

Message to Shareholders



In September 2020, 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) (“**Dihao Foodstuff**”), an indirect subsidiary of the Company, entered into a compensation agreement with the local government, for the resumption of the properties owned by Dihao Foodstuff in Luyuan District, Changchun. Dihao Foodstuff shall receive a total compensation of approximately RMB443.0 million as a result of the aforesaid resumption of properties, which has been received at the end of March. The proceeds from the resumption of properties will help to relieve the financial pressure of the Group during the period of suspension.

During the first half of 2021, the enormous domestic demand for corn, coupled with the demand for corn from the feed and biological energy sectors in the US had caused corn price to stay at high levels in both international and domestic markets. As such, even though the prices of upstream corn refined products and downstream lysine products rose, their price increases were not sufficient to offset the rise in raw material costs, making the operation of the upstream and downstream facilities not profitable in the short run.

With the COVID-19 pandemic in China gradually under control and the recovery of the livestock industry since the end of the second quarter of 2020, the pig herd has also increased, leading to significant growth in feed demand, which in turn drove up the price of lysine. However, due to the outbreak of the African Swine Fever in various regions in China during the first quarter of 2021, pig farmers accelerated the sales of pigs, resulting in increased number of pigs slaughter. Market demand for feed decreased, and the lysine market recovery slowed down.

As the resumption of production operation required a considerable amount of capital, the Group continued to suspend most of its production facilities during the Period to minimise cash outflow taking into account the prevailing market conditions. As inventories available for sale have dropped, revenue for the period under review also reduced year-on-year.

OUTLOOK

With the emergence of new variants of COVID-19, the pandemic situation in various regions has worsened. Certain regions in China also found cases of new variants. As the pandemic continues, industries may need to find ways to cope with the changes brought about by the prolonged pandemic while maintaining orderly operations for some time in the future.

The Group will continue to closely monitor the macro economic development and the situation of the Group’s product markets. In light of the current corn price trend and pace of recovery of the livestock industry, challenges still lie ahead for the Group in the second half of the year.

Facing various uncertainties, the Group will be more cautious in utilising its capital resources and strive to strengthen cash flow. We will also assess changes in the market from time to time to determine the right timing for partial resumption of production operation.

In the second half of the year, the Group’s management will continue to strive to push forward the second phase of debt restructuring plan, as well as accelerate the progress of the resumption of the Group’s land and properties in Luyuan District, Changchun. We hope the compensation from the resumption of land could strengthen the Group’s financial resources to finance the debt restructuring plan and the capital need for partial resumption of production operation in future.

Over the past two years, the Company introduced new investor through share subscriptions to enlarge its shareholder base. We will continue to touch base with potential investors and industry players to explore various types of collaboration, with an aim to further enrich the Group’s capital and expand its business scope.

Message to Shareholders

I would like to express my heartfelt thanks to the staff of the Group for their commitment and dedication. I hope we could continue to overcome the challenges ahead to realise healthy recovery of our business in the second half of 2021. I hope everyone in the Company, shareholders, business partners and lending banks will continue their support to the Group and create a new chapter of development.

Zhang Zihua
Acting Chairman

27 August 2021

Management Discussion and Analysis



Global Bio-chem Technology Group Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. The upstream corn refinery serves as a feedstock which breaks down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

BUSINESS REVIEW

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

During the six months ended 30 June 2021 (the “**Period**”), the operating environment of the Group remained challenging. The coronavirus disease (“**COVID-19**”) pandemic continued to put pressure on the global economy. As different countries started rolling out COVID-19 vaccination programmes during the Period, infection cases in most countries have dropped from their peaks. There were signs of economic recovery in major economies such as the People’s Republic of China (the “**PRC**” or “**China**”) and the United States (the “**US**”). In the PRC, recovery pace was especially prominent as compared with other countries. China recorded a 7.9% year-on-year growth in the gross domestic product for the second quarter of 2021. Such growth was driven by recoveries in the retail sales and industrial production. Nevertheless, surging commodity prices have significantly narrowed the profit margins of many businesses as manufacturers avoided raising prices to stay competitive. On the other hand, travel restrictions and other COVID-19 prevention measures continued to affect certain industries such as the hospitality and airline industries, causing an unbalanced recovery. Although the PRC economy is on the trajectory of recovery, investment in the manufacturing industry and employment rate have yet to return to the levels before the outbreak of COVID-19. The operating environment of the Group remained challenging during the Period.

As a result, the Group has continued to suspend its production operations in the Harbin, Dehui, Xinglongshan and Jinzhou sites to reduce operating cash outflow and secure sufficient financial resources until the market conditions improve. For details of the abovementioned suspensions, please refer to the Company’s announcements dated 24 September 2019, 16 December 2019, 10 February 2020 and 29 May 2020 (collectively, the “**Suspension of Operation Announcements**”).

Management Discussion and Analysis

With respect to corn supply, global corn production for the year 2021/22 is estimated at 1,194.8 million metric tonnes (“**MT**”) (2020/21: 1,133.9 million MT), according to the estimates from the United States Department of Agriculture in July 2021. During the Period, huge demand from China together with increased corn consumption from the feed and bio-ethanol sectors in the US have kept international corn price at high level. International corn price once hit 773 US cents in May 2021, which was the highest level since 2012. As at 30 June 2021, international corn price increased significantly to 720 US cents per bushel (equivalent to RMB1,831 per MT) as compared with 484 US cents per bushel (equivalent to RMB1,231 per MT) at the end of 2020. In the PRC, the corn harvest in 2021/22 is estimated to produce approximately 271.8 million MT (2020/21: approximately 260.7 million MT) of corn, with consumption volume estimated at 293.7 million MT for 2021 (2020: 289.2 million MT). The increase in consumption was mainly driven by the recovery of pig production during the Period. A shortage of corn of approximately 22 million MT is expected in the PRC in 2021. To fill the gap between the supply and demand, China has been importing corn during the Period. According to the General Administration of Customs of the PRC, China imported approximately 15.9 million MT of corn during the first five months of 2021. It is estimated that China’s corn import will reach 26.0 million MT (2020: 11.3 million MT) in 2021. Despite this, domestic corn price has continued to surge during the Period and reached RMB2,790 per MT (end of June 2020: RMB2,158 per MT) by the end of June 2021. However, recovery pace in the downstream user market has been lagging behind the rising corn cost. In addition, the outbreak of the African Swine Fever (the “**ASF**”) in various pig producing regions in the PRC during the first quarter of 2021 has led to increased number of pigs slaughtered, slowing down the recovery pace of the feed market. Thus, it is not commercially viable for the Group to resume the production operation of the upstream corn refinery during the Period. As a result, the Group continued to suspend all the upstream operation during the Period. Consequently, the performance of the Group’s upstream business was adversely affected during the Period. The Group will continue to monitor the market conditions and be cautious in making decisions on the Group’s business strategies so as to optimise the operation of the Group’s production facilities to maintain relatively healthy cash flow while balancing its market presence.

During the Period, the recovery of pig production continued despite the outbreaks of the ASF in various pig producing regions in China. As at the end of June 2021, China’s pig herd reached 439 million heads, representing 99.4% of the number of pigs as at the end of 2017. During the Period, lysine price in China has improved, ranging from RMB9,200 to RMB13,000 per MT (2020: RMB6,500 to RMB7,500 per MT). However, as the fear of the spread of the ASF grew, pig producers rushed to sell their pigs to the market, causing pork prices to fall. Rising corn cost, depressed pork prices together with increased slaughter have slowed down the lysine market recovery. As the Group has suspended its amino acids production operation since August 2019, only insignificant sales were recorded during the Period. In order to support the distressed swine husbandry industry, the PRC government has announced in July 2021 that it would buy 13,000 MT of frozen pork for state reserves. It is expected that it will help to stabilise the pork market and boost the demand for feed products. The Group will continue to observe market conditions and optimise operation, utilise its research and development capabilities to improve operational efficiency and develop other amino acid products complementary to its current product mix to better serve its customers.

Management Discussion and Analysis



As for the sugar market, global sugar production volume for 2020/21 was 179.0 million MT (2019/20: 166.2 million MT). Although the COVID-19 pandemic had an impact on sugar consumption, industry estimates still show demand growth for sugar in 2020/21, leading to a sugar deficit of 3.1 million MT. As a result, international sugar price increased to 17.63 US cents per pound (equivalent to RMB2,517 per MT) (end of June 2020: 11.84 US cents per pound, equivalent to RMB1,853 per MT) by the end of June 2021. In the PRC, domestic sugar production reached 10.7 million MT (2019/20: 10.4 million MT) in 2020/21 harvest, while consumption stayed at around 15.2 million MT. As a result, domestic sugar price rose to RMB5,690 per MT (end of June 2020: RMB5,573 per MT) by the end of June 2021. Nevertheless, due to the changes in consumption patterns as a result of the COVID-19 prevention measures during the pandemic, people have reduced the frequency of dining out. The recovery pace of catering and related industries has been slow, putting pressure on the demand recovery of the sweeteners market. In addition, the rising corn cost has further squeezed the profit margins of the Group's downstream sweetener products. As such, the Group has continued to suspend the operation of the downstream sweeteners production facilities in the Jinzhou and Xinglongshan sites and consolidated its resources into the Shanghai production site which has higher operational efficiency during the Period. The Group will continue to utilise its research and development capabilities to improve operational efficiency to lower cost and at the same time, develop products that better suit market needs to cope with market changes.

The operating environment for the Group's polyol chemical business continued to be challenging during the Period. The Group's research and development team is proactively looking into the possibility of restructuring its product portfolio to include high value-added products in response to changing market needs. The Group will continue to observe the market and take a prudent approach before resuming its polyol chemical business.

The operating environment of the Group in the second half of 2021 will continue to be challenging as domestic corn price is expected to remain at high level throughout 2021. On top of this, with the emergence of COVID-19 variants, it is expected that the pandemic will continue to impact the global economy. In the short run, businesses will have to find their ways to survive with the continued existence of the pandemic. The Group will continue to monitor closely the market conditions as well as the financial conditions of the Group, and assess the viability of various business segments to determine the best timing to resume the production operation of the Group's subsidiaries as soon as possible to the extent practicable. In the long run, the Group will continue to strengthen its market position by utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, further improve cost effectiveness and product mix through continuous research and development efforts; and at the same time, optimise utilisation rate to achieve operational efficiency in response to market changes. With respect of the Group's financial position, leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder with state-owned enterprise background, the Group will endeavour to implement the debt restructuring plan with the aim to achieve the significant improvement of the financial position of the Group.

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the Period, the continued impact of the COVID-19 pandemic on downstream user markets and high corn price in China have narrowed the profit margin of corn refined products of the Group. In addition, the prolonged challenging operating environment continued to tighten the operating cash flow of the Group. As a result, the Group continued to suspend most of its production facilities during the Period to minimise financial risks and secure financial resources during the time of economic uncertainty. The suspension of operations has led to a significant drop in sales volume by approximately 49.8% during the Period. The consolidated revenue and gross profits of the Group for the Period decreased significantly by approximately 24.9% and 62.8% respectively to approximately HK\$359.9 million (2020: HK\$479.1 million) and HK\$15.2 million (2020: HK\$40.9 million) respectively. During the Period, the recovery of pig production has driven up the demand of corn kernels and corn refined products, causing their prices to rise. However, the increase in selling prices of corn refined products did not keep up with the increase in corn cost. As a result, the gross profit margin of the Group dropped by 4.3 percentage points to 4.2% (2020: 8.5%)

Due to the completion of the repurchase agreements (collectively, the “**Repurchase Agreements**” and each, a “**Repurchase Agreement**”) dated 26 March 2021 entered into between the certain subsidiaries of the Company and Global Sweeteners Holdings Limited (“**GSH**”, together with its subsidiaries, the “**GSH Group**”) and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) (“**Changchun Rudder**”) and the completion of the Repurchase Agreement dated 26 March 2021 entered into between 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) (“**Dajincang**”) and Changchun Rudder, both of which took place on 31 March 2021, the Group (including the GSH Group) recognised a one-off gain on debt restructuring of approximately HK\$1,325.0 million, which comprises the difference between the considerations to be paid by the Group (including the GSH Group) and the amount of the debt owed to Changchun Rudder and the write-back of accrued guarantee interest in relation to the financial guarantees granted by certain subsidiaries of the Group and the GSH Group under the financial guarantee contracts (the “**Financial Guarantee Contracts**”) in respect of the indebtedness of Dajincang with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest. The Group recorded a net profit of approximately HK\$506.3 million (2020: net loss: HK\$902.8 million) and EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) of approximately HK\$1,108.0 million (2020: LBITDA (i.e. loss before interest, taxation, depreciation and amortisation): HK\$317.6 million) during the Period. The management of the Group will continue its efforts to further improve the financial performance of the Group through 1) speeding up the process of resumption of the remaining part of the land and buildings owned by the Group and the GSH Group located in Luyuan District, Changchun, the PRC (the “**Relevant Properties**”) in order to increase its operating cash flow; 2) actively negotiating with banks/creditors to push forward the debt restructuring plan to lower the debt level of the Group; 3) closely monitoring market changes to streamline the production processes and identify the opportunity for partial resumption of production operations to improve the Group’s financial conditions and operational efficiency; and 4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Management Discussion and Analysis



Upstream products

(Sales amount: HK\$0.8 million (2020: HK\$239.6 million))
(Gross profit: HK\$0.1 million (2020: HK\$15.3 million))

During the Period, the suspension of the Group's upstream operations has led to a significant drop in sales volume. As a result, the revenue of the Group's upstream business dropped by approximately 99.7% to approximately HK\$0.8 million (2020: HK\$239.6 million). As most of the inventories have been sold in 2020, no revenue from the sale of corn starch (2020: HK\$181.5 million) was recorded during the Period. Meanwhile, the revenue from the sale of other corn refined products decreased significantly to approximately HK\$0.8 million (2020: HK\$58.1 million) as a result of the decline in sales volume by approximately 99.3% to approximately 200 MT (2020: 29,000 MT). No internal consumption of corn starch (2020: 8,000 MT) was recorded during the Period.

Consequently, the Group's upstream products recorded an insignificant gross profit of approximately HK\$0.1 million (2020: HK\$15.3 million) with gross profit margin of approximately 12.5% (2020: 6.4%).

Amino acids

(Sales amount: HK\$1.1 million (2020: HK\$9.3 million))
(Gross profit: less than HK\$0.1 million (2020: Gross loss: HK\$0.2 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Period, the Group continued the suspension of its amino acids operation to minimise cash flow pressure of the Group. The amino acids segment recorded insignificant sales volume as most of the inventory has been exhausted prior to the Period. As a result, the revenue of the amino acids segment amounted to approximately HK\$1.1 million (2020: HK\$9.3 million) with sales volume of approximately 100 MT (2020: 2,000 MT) for the Period. However, as lysine price has improved during the Period with the recovery of pig production, the amino acids segment still recorded an insignificant gross profit of less than HK\$0.1 million (2020: gross loss: HK\$0.2 million), with a gross profit margin of less than 3.4% (2020: gross loss margin : 2.2%). Although it is expected that pork production in China will gradually pick up its recovery momentum in the second half of 2021 with the support of the government, as corn price is expected to stay high throughout 2021 and the uncertainty over the outbreak of the ASF continues, the Group will continue to closely monitor the development of the market conditions as well as the financial conditions of the Group to resume the production operation of the amino acids segment as soon as possible to the extent practicable. In the meantime, the Group's research and development team will continue to dedicate its effort to lower production cost, proactively look for opportunities to develop other amino acid products complementary to the current product mix of the Group and to cater to different types of animals to increase the Group's flexibility and ability to respond to market changes.

Corn sweeteners

(Sales amount: HK\$355.6 million (2020: HK\$228.9 million))
(Gross profit: HK\$13.6 million (2020: HK\$25.5 million))

The corn sweeteners segment consists of corn syrup and corn syrup solid, and is operated by GSH.

During the Period, the sales volume of corn sweeteners increased by approximately 20.3% to approximately 89,000 MT (2020: 74,000 MT) as the COVID-19 pandemic in China stabilised with slow recovery in various downstream industries. The increase in sugar price also drove up the average selling price of corn sweeteners during the Period. As a result, the revenue of the corn sweeteners segment increased by approximately 55.4% to approximately HK\$355.6 million (2020: HK\$228.9 million). However, the increase in the selling price of corn sweeteners did not keep up with the increase in the raw material cost. As such, the gross profit and gross profit margin of the corn sweeteners segment dropped to approximately HK\$13.6 million (2020: HK\$25.5 million) and 3.8% (2020: 11.1%) respectively, during the Period.

Management Discussion and Analysis

Polyol chemicals

(Sales amount: HK\$2.4 million (2020: HK\$1.3 million))
(Gross profit: HK\$1.5 million (2020: HK\$0.3 million))

The polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. The Group had suspended most of its polyol chemicals production since March 2014. During the Period, the Group continued to utilise its polyol chemicals inventory to produce and sell a small amount of anti-freeze products.

During the Period, the revenue of polyol chemicals segment increased by 84.6% to approximately HK\$2.4 million (2020: HK\$1.3 million). As substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol chemicals segment recorded a gross profit of approximately HK\$1.5 million (2020: HK\$0.3 million) with a gross profit margin of 62.5% (2020: 23.1%).

The Group's ammonia production has been suspended since March 2014 and no sales was made have been made since them.

Export sales

During the Period, export sales which comprised entirely the sales of corn sweeteners accounted for 2.0% (2020: 6.3%) of the Group's total revenue. The export sales of the Group amounted to approximately HK\$7.3 million (2020: HK\$30.5 million) during the Period, representing a decline of approximately 76.1% as compared to the corresponding period last year. Such decline was mainly attributable to the suspension of most of the Group's production facilities and the exhaustion of most of the inventory prior to the Period. Consequently, no export sales of upstream products, amino acids and polyol chemicals were recorded during the Period (2020: HK\$22.1 million, HK\$5.4 million and Nil, respectively).

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

Other income and gains

During the Period, other income and gains increased by approximately 4,273.8% to approximately HK\$1,386.5 million (2020: HK\$31.7 million). Such difference was mainly attributable to the recognition of a one-off gain on debt restructuring of approximately HK\$1,325.0 million as a result of the completion of the Repurchase Agreements.

Selling and distribution costs

During the Period, selling and distribution costs decreased by approximately 40.0% to approximately HK\$32.4 million (2020: HK\$54.0 million), accounting for approximately 9.0% (2020: 11.3%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume.

Administrative expenses

During the Period, administrative expenses decreased by 2.9% to approximately HK\$175.1 million (2020: HK\$180.3 million), representing 48.6% (2020: 37.6%) of the Group's total revenue. Such decrease was mainly attributable to the decrease in salaries by approximately 15.8% to approximately HK\$31.5 million (2020: HK\$37.4 million) as the number of headcount has been reduced during the Period.

Management Discussion and Analysis



Other expenses

During the Period, other expenses decreased by 23.8% to approximately HK\$289.3 million (2020: HK\$379.6 million). Such decrease was mainly attributable to the decrease of guarantee interest to approximately HK\$41.1 million (2020: HK\$75.1 million) as a result of the discharge of financial obligations in related to the Financial Guarantee Contracts during the Period.

Finance costs

During the Period, finance costs of the Group increased by 10.1% to approximately HK\$396.6 million (2020: HK\$360.3 million), which was mainly attributable to the increase in interest on interest-bearing bank and other borrowings to approximately HK\$253.8 million (2020: HK\$217.9 million).

Income tax expenses

During the Period, as all the subsidiaries of the Group recorded tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years, no income tax expenses were incurred during the Period (2020: Nil).

Profit (Loss) shared by non-controlling shareholders

During the Period, GSH recorded a profit of approximately HK\$7.2 million (2020: loss: HK\$151.2 million), leading to profit shared by non-controlling shareholders amounted to approximately HK\$2.7 million (2020: loss shared by non-controlling shareholders: HK\$54.4 million).

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

Capital structure

The capital structure of the Group consists of debts, which mainly include interest-bearing bank and other borrowings, convertible bonds and equity reserves attributable to owners of the Company which comprise issued ordinary shares and various reserves. The board (the “**Board**”) of directors (the “**Directors**”) of the Company shall review the Group’s cost and risks of capital on a semi-annual basis with the aim to achieve the optimal capital structure for the Group.

Net borrowing position

The total interest-bearing bank and other borrowings of the Group as at 30 June 2021 decreased by approximately HK\$692.6 million to approximately HK\$7,417.0 million (31 December 2020: HK\$8,109.6 million) was mainly attributable to the completion of the Repurchase Agreements during the Period. On the other hand, the cash and bank balances and pledged bank deposits as at 30 June 2021 decreased by approximately HK\$129.2 million to approximately HK\$54.0 million (31 December 2020: HK\$183.2 million). As a result, the net borrowings decreased to approximately HK\$7,363.0 million (31 December 2020: HK\$7,926.4 million).

Structure of interest-bearing bank and other borrowings

As at 30 June 2021, the Group’s interest-bearing bank and other borrowings amounted to approximately HK\$7,417.0 million (31 December 2020: HK\$8,109.6 million), all (2020: all) of which were denominated in Renminbi.

Management Discussion and Analysis

As at 30 June 2021, the percentage of interest-bearing bank and other borrowings wholly repayable within one year or on demand and in the second to the fifth year were approximately 97.5% and 2.5% (31 December 2020: 97.7% and 2.3%), respectively. As at 30 June 2021, interest-bearing bank and other borrowings amounted to approximately RMB328.7 million (31 December 2020: RMB314.2 million) have been charged at fixed interest rates ranging from 5.8% to 13.6% per annum (31 December 2020: 7.0% to 13.6% per annum) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were charged with reference to floating interest rate.

Convertible bonds

Upon completion of the subscription of shares and convertible bonds by Modern Agricultural Industry Investment Limited ("**Modern Agricultural**") in October 2015 (the "**Original CB Subscription**"), convertible bonds (the "**Convertible Bonds**"), among others, in the aggregate principal amount of HK\$1,086,279,565 which may be converted into 4,722,954,631 conversion shares of the Company based on the initial conversion price of HK\$0.23 (subject to adjustment) per share upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Pursuant to the terms of the Original CB Subscription, the holder of the Convertible Bonds has the right to convert the whole or any part (in the denominations of HK\$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into new shares of the Company at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date seven days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the shares of the Company shall not be less than 25% or any given percentage as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Convertible Bonds became mature on 15 October 2020 (the "**Maturity Date**"), and all the Convertible Bonds remained outstanding on the Maturity Date.

As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with the HK Bloom Investment Limited ("**HK Bloom**" or the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "**First Subscription Shares**") at the subscription price of HK\$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new shares (the "**Second Subscription Shares**") at the subscription price of HK\$0.1080 per Second Subscription Share (the "**Second Subscription**"), respectively. As a result of the completion of the First Subscription and the Second Subscription, the conversion price of the outstanding Convertible Bonds has been adjusted, in accordance with the terms and conditions of the Convertible Bonds, to HK\$0.21 per share upon the completion of the Second Subscription on 29 April 2020 and the maximum number of shares issuable by the Company upon full conversion of the Convertible Bonds is 5,172,759,833 shares.

On 25 September 2020, the Company and Modern Agricultural entered into a supplemental agreement for the proposed extension of the Maturity Date by 32 months to 15 June 2023 (the "**Extension**"). The resolutions to approve the Extension were passed by way of poll at the extraordinary general meeting ("**EGM**") of the Company held on 30 November 2020 and the Extension took effect from that date. For details of the Extension, please refer to the announcement of the Company dated 25 September 2020 and the circular of the Company dated 5 November 2020.

Save for the conversion price adjustment and the Extension mentioned above, all other terms and conditions of the Convertible Bonds remain unchanged.

At 30 June 2021, the Convertible Bonds were divided into liability component and equity component which amounted to HK\$892.8 million and HK\$972.1 million (31 December 2020: HK\$849.6 million and HK\$972.1 million) respectively and effective imputed interest of HK\$43.1 million (2020: HK\$32.7 million) was charged during the Period.

Management Discussion and Analysis



Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Period, the trade receivables turnover days increased to approximately 73 days (31 December 2020: 58 days) as longer credit period were granted to a number of customers with good track records in the Shanghai site. Meanwhile, the trade payables turnover days decreased to approximately 667 days (31 December 2020: 685 days) during the Period, as the Group has been actively negotiating with creditors on repayment plans mutually agreed among the parties during the Period. The inventory turnover days slightly decreased to approximately 67 days (31 December 2020: 68 days) as most of the inventory has been sold during the period of suspension.

As at 30 June 2021, the current ratio and the quick ratio of the Group remained at 0.1 (31 December 2020: 0.1) and 0.1 (31 December 2020: 0.1), respectively. The Group recorded a net profit of approximately HK\$506.3 million (30 June 2020: net loss: HK\$902.8 million) during the Period. As a result, the net liabilities of the Group improved to approximately HK\$5,570.9 million (31 December 2020: HK\$6,017.1 million). Gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) was approximately 401.7% (31 December 2020: 387.5%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in note 2.2 to the condensed consolidated financial statements.

MAJOR INVESTMENTS

The Group had no material investments as at 30 June 2021. Other than the relocation plan disclosed under the section headed "Relocation of production facilities to the Xinglongshan site" of this report, the Group has no other future plans for material investments or capital assets as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Period, save for the completion of the discloseable transaction in relation to the resumption of properties of the Group in Luyuan District to the Changchun Housing Requisition Office with details disclosed in the Company's announcements dated 9 October 2019, 15 January 2020, 15 May 2020 and 23 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2021, the Group's interest-bearing bank and other borrowings amounted to HK\$4,963,977,000 (31 December 2020: HK\$5,249,504,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to HK\$2,054,810,000 (31 December 2020: HK\$2,160,107,000) and HK\$143,201,000 (31 December 2020: HK\$117,193,000), respectively, and a receivable from disposal of assets amounted to HK\$120,482,000 (31 December 2020: HK\$119,048,000).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for approximately 2.0% (2020: 6.3%) of the Group's revenue in which most of these transactions were denominated in US dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations in the short run. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market position, diversify its product range and enhance its capability in developing high value-added products and new applications through in-house research; internally, the Group will endeavour to materialise the debt restructuring plan to improve the financial position of the Group and introduce strategic investors to form business alliance for sustainable development.

The operating environment in the second half of 2021 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy and the pace of recovery. On top of this, high raw material cost and intensified market competition will further add pressure on the product markets where the Group operates in.

In the short run, businesses will have to find their ways to survive with the continued existence of the COVID-19 pandemic. The Group will continue to monitor closely the market conditions as well as the financial conditions of the Group, and assess the viability of its various business segments to streamline the operations and determine the best timing to resume the operation of the Group's subsidiaries as soon as possible to the extent practicable. The Group will also take the opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operational efficiency through continuous research and development efforts to lower operating costs.

The relocation plan of the Group will be financed by the Group's internal resources, the compensation from land resumption and through collaboration with industry players. The existing technology know-how of the Group is sufficient for the relocation of production facilities.

In the long run, the Group will continue to strengthen its market position by utilising its brand name, be customer-oriented to understand better their ever-changing demand and product requirement, further improve cost effectiveness and product mix through continuous research and development efforts. To realise this objective, the Group's research and development centre is currently working on a series of product development projects. The Board will optimise the Group's risk/return decision with respect to capital expenditure and will take a prudent approach in relation to capacity expansion.



NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2021, the Group had approximately 3,800 (31 December 2020: 4,000) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain the remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and discretionary bonuses.

Disclosure of Additional Information

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2020: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, none of the Directors and chief executives of the Company had any interests and short positions 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests or short positions of the persons (other than the Directors or chief executives 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 in ordinary shares of the Company:

Name	Capacity/ nature of interest	Remarks	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (d)
HK Bloom	Beneficial owner	(a)	2,508,407,357	28.16
Modern Agricultural	Beneficial owner	(b)	8,308,269,029	93.27
Bank of Jilin Co., Ltd	Security interest in shares	(c)	1,749,858,609	19.64

Disclosure of Additional Information



Remarks:

- (a) HK Bloom is beneficially owned as to 50.0% and 50.0% by Mr. Li Zhenghao (“**Mr. Li**”) and Ms. Sun Zhen (“**Ms. Sun**”), respectively. Under the SFO, each of Mr. Li and Ms. Sun is deemed to be interested in all the shares interested by HK Bloom.
- (b)
 - (i) The entire issued capital of Modern Agricultural is held by Modern Agricultural Industry Investment Holdings Limited (“**Modern Agricultural Holdings**”) which is in turn wholly-owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) (“**PRC LLP**”). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited (“**GP**”). As at the date of this report, 60% of the investment capital of PRC LLP is owned by 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) (“**Nongtou**”). As such, by virtue of Nongtou’s control over PRC LLP, Nongtou has become the indirect controlling shareholder of the Company. Nongtou is controlled by 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People’s Government of Jilin Province*) (“**Jilin SASAC**”). Each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC are deemed to be interested in the interest held by the Company.
 - (ii) Amongst 8,308,269,029 shares of the Company held by Modern Agricultural, 5,172,759,833 shares represented shares which may be issued to it upon full conversion of the Convertible Bonds. As such, as at 30 June 2021, Modern Agricultural was the beneficial owner of 3,135,509,196 shares of the Company, representing approximately 35.2% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds, Modern Agricultural will become the holder of 8,308,269,029 shares of the Company, representing approximately 59.0% of the issued share capital of the Company as enlarged by the allotment and issue of conversion shares under the Convertible Bonds. As approved by the independent shareholders at the EGM held on 30 November 2020, Modern Agricultural has obtained a waiver under Note 1 on dispensations from Rule 26 of The Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”), therefore, no offer under Rule 26 of the Takeovers Code would arise upon full conversion of the Convertible Bonds by Modern Agricultural.
- (c) Bank of Jilin Co., Ltd. is a person having a security interest in shares of the Company.
- (d) On the basis of 8,907,405,717 shares in issue as at 30 June 2021.

As at 30 June 2021, none of the Directors or chief executives of the Company 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 THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Board regularly reviews the Group’s corporate governance guidelines and developments. To the best knowledge and belief of the Board, the Board considers that the Company has complied with all code provisions as laid down in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the Period.

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 as the Company’s code of conduct for dealings in securities of the Company by the Directors.

Disclosure of Additional Information

Having made specific enquiry of each of the Directors, all Directors have confirmed to the Company that they have complied with the required standards set out in the Model Code and the Company's code of conduct throughout the Period.

UPDATE ON DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Mr. Ng Kwok Pong, an independent non-executive Director, has resigned as a regional finance director of Momentum Financial Holdings Limited, a company listed on the Stock Exchange (Stock Code: 01152), with effect from 23 June 2021.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee currently comprises all independent non-executive Directors, namely, Mr. Ng Kwok Pong (chairman of the Audit Committee), Ms. Dong Hongxia and Mr. Yeung Kit Lam.

The Audit Committee meets regularly with the Company's senior management, internal audit team and the external auditor of the Company to consider the Company's financial reporting process, the effectiveness of internal control, the audit process and risk management.

The Audit Committee has reviewed the Group's interim results for the Period and discussed with the management of the Company for the accounting principles and policies adopted by the Group.

REMUNERATION COMMITTEE

The remuneration committee (the "**Remuneration Committee**") of the Company comprises an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, namely, Mr. Ng Kwok Pong (chairman of the Remuneration Committee) and Ms. Dong Hongxia. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of the Directors and the 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. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive Directors' service contracts. The Board has adopted remuneration policy of the Directors on the basis of their merit, qualification and competence with reference to the market benchmarks.

NOMINATION COMMITTEE

The nomination committee (the "**Nomination Committee**") of the Company comprises an executive Director, Mr. Zhang Zihua (chairman of the Nomination Committee), and two independent non-executive Directors, namely, Ms. Dong Hongxia and Mr. Ng Kwok Pong. The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship. The Nomination Committee also reviews the structure, size and composition of the Board and makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company.

Disclosure of Additional Information



CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee (the “**Corporate Governance Committee**”) of the Company comprises an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, namely, Mr. Ng Kwok Pong (chairman of the Corporate Governance Committee) and Ms. Dong Hongxia. The duties of the Corporate Governance Committee are, among others, to determine, develop and review the Company’s policies and practices on corporate governance and provide supervision over the Board and its committees’ compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes.

EXECUTIVE COMMITTEE

The executive committee (the “**Executive Committee**”) of the Company comprises two executive Directors, namely, Mr. Liu Shuhang (chairman of the Executive Committee) and Mr. Zhang Zihua. The duties of the Executive Committee are, among others, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company.

The powers and authorities of the Executive Committee shall not be extended to:

- (a) approval of final and interim results of the Company;
- (b) declaration, recommendation or payment of any dividend or other distributions;
- (c) proposal to the shareholders of the Company to put the Company into liquidation;
- (d) approval of any discloseable transaction, major transaction, very substantial acquisition or disposal within the meaning of Chapter 14 of the Listing Rules;
- (e) approval of any connected transaction within the meaning of Chapter 14A of the Listing Rules;
- (f) matters involving a conflict of interest for a substantial shareholder of the Company and/or a Director;
- (g) approving any proposed change in the capital structure, including any redemption of the Company’s securities listed on the Stock Exchange;
- (h) approving any decision to change the general character or nature of the business of the Company;
- (i) matters specifically set out in the Listing Rules which require approval at a full Board meeting; and
- (j) any regulations or resolutions or restrictions that may be imposed upon the Executive Committee by the Board from time to time.

Disclosure of Additional Information

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Updates on the suspension of operation of certain subsidiaries of the Group

Reference is made to the Suspension of Operation Announcements. Due to the continued impact of the COVID-19 pandemic, the outbreak of the ASF in various pig producing regions in China and the upsurge of the domestic corn price during the Period, the operating environment of the Group remained challenging. Although selling prices of various product lines of the Group improved as China market recovered, such price improvement was not able to offset the rise in raw material costs. As a result, it was still not commercially viable for the Group to resume the suspended operations during the Period. As such, the Group has maintained its strategy to suspend the operation of those subsidiaries and focus its resources in higher efficiency operation in Shanghai to minimise cash outflow and retain its financial resources. The management of the Group expects that the COVID-19 pandemic will linger for a relatively long period of time and business operators have to adapt to the changes the pandemic would bring about. The management believes that in the short run, based on the current corn price and the pace of recovery of the downstream user market, the continued suspension of operation of low facility utilisation rate is the optimal approach for the Group. Nevertheless, the Group will continue to closely monitor the market conditions and the financial conditions of the Group, and seek opportunity to partially resume the operation of the Group's production facilities as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the annual report of the Company for the year ended 31 December 2020, in relation to, among others, the relocation of production facilities of the Group to the Xinglongshan site and the resumption of the Relevant Properties.

Due to the challenging economic environment and the continued impact of the COVID-19, the initial plan for the relocation of the Group's production facilities has been adjusted and some of the relocation projects has been placed on hold in light of the changing market conditions and pending the availability of capital and favourable market conditions. The Group will continue to assess the changing market conditions and the progress of the resumption of the Relevant Properties so as to the update and revise the feasibility studies of the relocation plan for submission to, among others, the relevant government bodies for approval. As such, the revised timetable for relocation of production facilities is updated as follow:

Products to which the production facilities relate	Production capacity of the relevant production facilities to be relocated (MT per annum)	Expected time for the relocation of production facilities (Remark)
Methanol	165,000	Pending the availability of capital and favourable market condition
Modified starch – food grade (phase 1)	20,000	Pending the availability of capital and favourable market condition
Modified starch (phase 2)	60,000	Pending the availability of capital and favourable market condition
Corn oil	63,000	June 2019 – December 2022

Disclosure of Additional Information



Products to which the production facilities relate	Production capacity of the relevant production facilities to be relocated (MT per annum)	Expected time for the relocation of production facilities (Remark)
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	20,000	Pending the availability of capital and favourable market condition

Remark: The expected time for relocation of production facilities is subject to the final decision of the management from time to time, taking into account the relevant product markets and the obtaining of the approval from, among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly and the Company will provide update to its shareholders and potential investors by way of announcement as and when appropriate.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

- (1) Reference is made to the joint announcement of the Company and GSH dated 21 September 2018. Under a loan agreement (the “**Loan Agreement**”) entered into between 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.*) (“**Jinzhou Dacheng**”), which is an indirect wholly-owned subsidiary of GSH, and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) (the “**Lender**”) in respect of a twelve month fixed term loan due in December 2018 (the “**Loan**”), Jinzhou Dacheng was required to satisfy certain financial covenants, failure to comply with such financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. The Loan has been guaranteed by GSH and certain members of the GSH Group have also provided guarantees and securities to secure the Loan. Jinzhou Dacheng has failed to fulfill certain financial covenants under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group.

As at the date of this report, certain financial covenants under the Loan Agreement have yet to be fulfilled, and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement and the outstanding principal amount under the Loan Agreement is approximately RMB19.8 million as at the date of this report.

Disclosure of Additional Information

- (2) As disclosed in the joint announcement of the Company and GSH dated 25 February 2020, the Group has defaulted in, among other, the repayment of certain loans under the loan agreements entered into between a subsidiary of the Company and 中國進出口銀行吉林省分行 (Jilin Branch of The Export-Import Bank of China*) (“**Jilin Branch Export-Import Bank**”) with an aggregate outstanding principal amount of approximately RMB648.0 million together with outstanding interest (the “**GBT Jilin Branch Export-Import Bank Loan**”) and the syndicated loan agreement entered into among a subsidiary of the Company and 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) (“**Jilin Branch CCB**”), 中國建設銀行股份有限公司長春西安大路支行 (Changchun Xian Road Branch of China Construction Bank Corporation*) (“**Changchun CCB**”) and 中國進出口銀行 (The Export-Import Bank of China*) (“**Export-Import Bank**”) with an aggregate outstanding principal amounts of approximately RMB1.8 billion together with outstanding interest (the “**GBT Syndicated Loan**”).

The maximum liabilities guaranteed by the Company under the GBT Jilin Branch Export-Import Bank Loan and the GBT Syndicated Loan are approximately RMB648.0 million and RMB2.0 billion, respectively, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements. Certain subsidiaries of the Company have also provided collaterals to secure the GBT Jilin Branch Export-Import Bank Loan and the GBT Syndicated Loan.

As at the date of this report, the Group has yet to receive any waiver for the default in the repayment of the GBT Jilin Branch Export-Import Bank Loan and the GBT Syndicated Loan and the outstanding principal amount under the GBT Jilin Branch Export-Import Bank Loan and the GBT Syndicated Loan are approximately RMB648.0 million and RMB1.8 billion, respectively.

- (3) Reference is made to the joint announcement of the Company and GSH dated 4 May 2020. Under the various loan agreements (the “**Yuancheng CCB Loan Agreements**”) entered into between 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) (“**Jinzhou Yuancheng**”) which is an indirect wholly-owned subsidiary of GSH and 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) (“**Jinzhou CCB**”) for the aggregate principal amount of RMB189.9 million (the “**Yuancheng CCB Loans**”), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle Jinzhou CCB to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng CCB Loans immediately due and payable. The maximum liability jointly guaranteed by the Company, GSH and certain subsidiaries of the GSH is RMB200.0 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the Yuancheng CCB Loan Agreements. As at the date of this report, certain financial covenants under the Yuancheng CCB Loan Agreements have yet to be fulfilled. Such breach entitles Jinzhou CCB to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng CCB Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. As at the date of this report, Jinzhou Yuancheng has yet to receive any waiver from Jinzhou CCB, and the outstanding principal amount under the Yuancheng CCB Loan Agreements is RMB189.9 million.

Disclosure of Additional Information



- (4) Reference is made to the joint announcement of the Company and GSH dated 23 December 2020 regarding certain loan agreements entered into between certain subsidiaries of the Company with each of 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) (“**Nongan Branch ABC**”) and Changchun CCB with aggregate outstanding principal amounts of RMB920.0 million (excluding loans of the GSH Group) together with outstanding interest (the “**GBT ABC Loan**”) and RMB740.0 million together with outstanding interest (the “**GBT CCB Loan**”) respectively, that have become immediately due and payable before their maturity dates in June 2021 in contemplation of the debt restructuring plan of the Group and the GSH Group. As at the date of this report, the Group has yet to receive any waiver from Nongan Branch ABC and Changchun CCB and the outstanding principal amounts under the GBT ABC Loan and the GBT CCB Loan are approximately RMB920.0 million and RMB740.0 million, respectively. The maximum liability guaranteed by the Company under the GBT ABC Loan is RMB1,660.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements and certain subsidiaries of the Company have also provided collaterals to secure such loan agreement. The maximum liability guaranteed by the Company under the GBT CCB Loan is RMB1,000.0 million.

On the other hand, the fixed term loan under a loan agreement entered into between a subsidiary of GSH and Nongan Branch ABC with an aggregate outstanding principal amount of RMB180.0 million together with outstanding interest (the “**GSH ABC Loan**”) has become immediately due and payable before its maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GSH Group. As at the date of this report, the GSH Group has defaulted in the repayment of such loan with the outstanding principal amount of approximately RMB180.0 million and has yet to receive any waiver from Nongan Branch ABC. The maximum liability guaranteed by GSH is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under such loan agreement. Certain subsidiaries of GSH have also provided collaterals to secure such loan.

In addition, such default in repayment of such loans by the Group and the GSH Group may also trigger cross default of other loan agreements entered into by the Group and the GSH Group.

As disclosed in the joint announcement of the Company and GSH dated 23 December 2020, 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) (“**China Cinda**”) was entered into transfer agreements with each of 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) (“**Jilin Branch ABC**”) and Jilin Branch CCB. Jilin Branch ABC (acting on behalf of Nongan Branch ABC) and Jilin Branch CCB (acting on behalf of Changchun CCB) have each agreed to sell to China Cinda, and China Cinda has agreed to purchase, all of its rights and benefits of the loans owed by, among others, the Group and the GSH Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (the “**ABC Transferred Loans**”) at a consideration of approximately RMB414.7 million; and all of its rights and benefits of the loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million and the aggregate outstanding interest of approximately RMB128.5 million (the “**CCB Transferred Loans**”) at a consideration of approximately RMB583.6 million. The ABC Transferred Loans include, among others, the GBT ABC Loan and the GSH ABC Loan. The CCB Transferred Loans include among others, the GBT CCB Loan and Changchun CCB’s portion of the GBT Syndicated Loan. The Company will endeavour to facilitate the implementation of the next step of the debt restructuring plan for the ABC Transferred Loans and the CCB Transferred Loans with the aim to improve the financial position of the Group.

Disclosure of Additional Information

- (5) Reference is made to the joint announcement of the Company and GSH dated 27 April 2021. 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) (“**Harbin Dacheng**”), which is an indirect wholly-owned subsidiary of the Company, has defaulted in the repayment of the fixed-term loan under a loan agreement (the “**Harbin Dacheng Daxinganling Loan Agreement**”) entered into 大興安嶺農村商業銀行股份有限公司 (Daxinganling Rural Commercial Bank Co., Ltd.*) (“**Daxinganling Bank**”), with outstanding principal amount of RMB50.0 million, together with outstanding interests (the “**Daxinganling Loan**”). Harbin Dacheng has provided collaterals to secure the Daxinganling Loan. As at the date of this report, the outstanding principal under the Harbin Dacheng Daxinganling Loan Agreement is RMB50.0 million.

In addition, Jinzhou Yuancheng has defaulted in the repayment of the fixed-term loan under a loan agreement (the “**Jinzhou BOC Loan Agreement**”) entered into between Jinzhou Yuancheng and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) (“**Jinzhou BOC**”), with outstanding principal amount of RMB30.0 million, together with outstanding interests (the “**Jinzhou BOC Loan**”). The maximum liability guaranteed by the GSH Group is RMB36.8 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the Jinzhou BOC Loan Agreement. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. As at the date of this report, the outstanding principal under the Jinzhou BOC Loan Agreement is RMB30.0 million.

As at the date of this report, Harbin Dacheng and Jinzhou Yuancheng have yet to receive any waiver from Daxinganling Bank and Jinzhou BOC, respectively, in respect of the default of repayment of the Daxinganling Loan and the Jinzhou BOC Loan.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

There was no important event after the end of the Period up to the date of this report.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021



	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	359,925	479,135
Cost of sales		(344,753)	(438,231)
Gross profit		15,172	40,904
Other income and gains	4	1,386,529	31,749
Selling and distribution costs		(32,438)	(54,049)
Administrative expenses		(175,093)	(180,253)
Other expenses		(289,286)	(379,593)
Share of loss of a joint venture		(2,004)	(1,270)
Finance costs	5	(396,605)	(360,331)
PROFIT (LOSS) BEFORE TAX	6	506,275	(902,843)
Income tax expenses	7	—	—
PROFIT (LOSS) FOR THE PERIOD		506,275	(902,843)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		(60,050)	45,286
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		446,225	(857,557)
PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		503,605	(848,412)
Non-controlling interests		2,670	(54,431)
		506,275	(902,843)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		444,842	(805,111)
Non-controlling interests		1,383	(52,446)
		446,225	(857,557)
EARNINGS (LOSS) PER SHARE	8		
Basic		HK5.7 cents	HK(10.5) cents
Diluted		HK3.9 cents	HK(10.5) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,692,871	5,797,334
Right-of-use assets		509,630	511,082
Deposits paid for acquisition of property, plant and equipment		1,211	45,208
Intangible assets		3,751	3,751
Interests in an associate		—	—
Interests in a joint venture		—	2,004
Equity investment at fair value through other comprehensive income		208	208
		6,207,671	6,359,587
CURRENT ASSETS			
Inventories		127,630	143,367
Trade and bills receivables	11	144,285	134,766
Prepayments, deposits and other receivables	12	405,145	780,677
Pledged bank deposits		2,834	29,874
Cash and bank balances		51,177	153,323
		731,071	1,242,007
CURRENT LIABILITIES			
Trade and bills payables	13	1,182,008	1,357,959
Other payables and accruals	14	2,679,626	2,962,845
Due to an associate	18(ii)	1,326	1,410
Due to a joint venture	18(ii)	996	4,719
Tax payables		105,909	105,569
Interest-bearing bank and other borrowings		7,232,712	7,925,118
Lease liabilities		2,199	2,188
		11,204,776	12,359,808
NET CURRENT LIABILITIES		(10,473,705)	(11,117,801)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,266,034)	(4,758,214)

Condensed Consolidated Statement of Financial Position

At 30 June 2021



	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		184,337	184,524
Lease liabilities		3,281	—
Deferred income		118,272	120,839
Deferred tax liabilities		106,165	103,877
Convertible bonds		892,761	849,621
		1,304,816	1,258,861
NET LIABILITIES			
		(5,570,850)	(6,017,075)
CAPITAL AND RESERVES			
Share capital	15	890,741	890,741
Reserves		(6,307,044)	(6,751,886)
Deficit attributable to owners of the Company			
Non-controlling interests			
		(5,416,303)	(5,861,145)
		(154,547)	(155,930)
TOTAL DEFICIT			
		(5,570,850)	(6,017,075)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Properties revaluation reserve	Convertible bonds reserve	Other reserve	Statutory reserve fund	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	890,741	2,849,298	875,804	972,056	15,677	113,808	1,781,506	(13,360,035)	(5,861,145)	(155,930)	(6,017,075)
Profit for the period	-	-	-	-	-	-	-	503,605	503,605	2,670	506,275
Other comprehensive loss for the period	-	-	-	-	-	-	(58,763)	-	(58,763)	(1,287)	(60,050)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(58,763)	503,605	444,842	1,383	446,225
At 30 June 2021 (unaudited)	890,741	2,849,298	875,804	972,056	15,677	113,808	1,722,743	(12,856,430)	(5,416,303)	(154,547)	(5,570,850)

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Properties revaluation reserve	Convertible bonds reserve	Other reserve	Statutory reserve fund	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	767,880	2,839,469	898,575	290,585	15,677	114,034	2,127,173	(11,251,258)	(4,197,865)	(148,126)	(4,345,991)
Loss for the period	-	-	-	-	-	-	-	(848,412)	(848,412)	(54,431)	(902,843)
Other comprehensive income for the period	-	-	-	-	-	-	43,301	-	43,301	1,985	45,286
Total comprehensive income (loss) for the period	-	-	-	-	-	-	43,301	(848,412)	(805,111)	(52,446)	(857,557)
Transactions with owners:											
Contributions and distributions											
Issue of share capital	122,861	9,829	-	-	-	-	-	-	132,690	-	132,690
Total transactions with owners	122,861	9,829	-	-	-	-	-	-	132,690	-	132,690
At 30 June 2020 (unaudited)	890,741	2,849,298	898,575	290,585	15,677	114,034	2,170,474	(12,099,670)	(4,870,286)	(200,572)	(5,070,858)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021



	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (Loss) before tax	506,275	(902,843)
Adjustments for:		
Finance costs	396,605	360,331
Bank interest income	(140)	(250)
Gain on debt restructuring	(1,325,031)	—
Depreciation		
— Property, plant and equipment	192,462	212,537
— Right-of-use assets	12,663	12,372
Amortisation of deferred income	(4,708)	(3,418)
Gain on disposal of property, plant and equipment	(1)	—
(Reversal of impairment) impairment of deposits paid for acquisition of property, plant and equipment	(8,799)	16,205
Reversal of write-down of inventories, net	(8,447)	(2,086)
Impairment of trade and bills receivables, net	2,243	20,966
(Reversal of impairment) impairment of prepayments, deposits and other receivables, net	(11,273)	12,447
Share of loss of a joint venture	2,004	1,270
Waiver of payables	—	(810)
Changes in working capital:		
Inventories	25,911	220,953
Trade and bills receivables	(10,137)	144,565
Prepayments, deposits and other receivables	(7,104)	33,391
Pledged bank deposits	27,397	(3,524)
Trade and bills payables	(192,311)	(229,924)
Other payables and accruals	(81,811)	106,809
Due to an associate	(101)	(229)
Due to a joint venture	(3,780)	(1,426)
Cash used in operations	(488,083)	(2,664)
Interest received	140	250
Income taxes paid	—	(341)
Net cash used in operating activities	(487,943)	(2,755)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(19,793)	(9,735)
Proceeds from disposal of property, plant and equipment	53	—
Compensation for the Dihao Resumption received	413,236	—
Net cash generated from (used in) investing activities	393,496	(9,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	—	132,690
Proceeds from new interest-bearing bank and other borrowings	323,494	65,494
Repayment of interest-bearing bank and other borrowings	(304,819)	(117,670)
Repayment of lease liabilities	(2,007)	(1,920)
Interest paid	(27,076)	(56,072)
Net cash (used in) generated from financing activities	(10,408)	22,522
Net (decrease) increase in cash and cash equivalents	(104,855)	10,032
Cash and cash equivalents at beginning of period	153,323	79,509
Effect of foreign exchange rate changes, net	2,709	(2,729)
Cash and cash equivalents at end of period	51,177	86,812



1. CORPORATE INFORMATION

The condensed consolidated financial statements of Global Bio-chem Technology Group Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) were authorised for issue in accordance with a resolution of the board (the “**Board**”) of directors (the “**Directors**”) of the Company on 27 August 2021.

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 1002, 10th Floor, Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products. There was no significant change in the nature of the Group’s principal activities during the Period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2 Going concern

The Group recorded a profit of approximately HK\$506.3 million (six months ended 30 June 2020: loss of approximately HK\$902.8 million) for the Period and had net current liabilities of approximately HK\$10,473.7 million (31 December 2020: approximately HK\$11,117.8 million) and net liabilities of approximately HK\$5,570.9 million (31 December 2020: approximately HK\$6,017.1 million) as at 30 June 2021. There is a material uncertainty related to these conditions that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the “**Audit Committee**”) of the Company after its critical review of the management’s position, the management of the Company has taken the following steps to improve the Group’s financial position:

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

2.2 Going concern *(Continued)*

(a) Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position

As announced by the Company and Global Sweeteners Holdings Limited (“**GSH**”, together with its subsidiaries, the “**GSH Group**”) on 23 December 2020, each of 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) (“**Jilin Branch ABC**”) and 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) (“**Jilin Branch CCB**”) announced that they have each reached a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) (“**China Cinda**”) to transfer all rights and benefits of certain loans. Jilin Branch ABC has transferred all of its rights and benefits of the loans owed by, among others, the Group and the GSH Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (the “**ABC Transferred Loans**”) to China Cinda at a consideration of approximately RMB414.7 million; and Jilin Branch CCB has transferred all of its rights and benefits of the loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million and the aggregate outstanding interest of approximately RMB128.5 million (the “**CCB Transferred Loans**”) to China Cinda at a consideration of approximately RMB583.6 million.

In addition, as disclosed in the joint announcement of the Company and GSH dated 26 March 2021, each of the Group, the GSH Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) (“**Dajincang**”) (collectively, the “**BOC Borrowers**”) entered into repurchase agreements (collectively, the “**Repurchase Agreements**” and each, a “**Repurchase Agreement**”) with 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) (“**Changchun Rudder**”), pursuant to which Changchun Rudder had agreed to sell to each of the BOC Borrowers, and each of the BOC Borrowers had agreed to purchase, all of the rights and benefits of the loans owed to Changchun Rudder, which included, among others, the loans of the GSH Group in the amount of approximately RMB198.6 million with the outstanding interest (the “**GSH Indebtedness**”), the loans of the Group (excluding the GSH Group) in the amount of approximately RMB1.3 billion with the outstanding interest (the “**GBT Indebtedness**”) and the indebtedness of Dajincang with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the “**Dajincang Indebtedness**”) which were guaranteed by certain subsidiaries of the Group and the GSH Group (collectively, the “**Guarantor Subsidiaries**”). The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreements, all the obligations of the Guarantor Subsidiaries pursuant to the financial guarantee contracts (the “**Financial Guarantee Contracts**”) in respect of the Dajincang Indebtedness have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021.



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

2.2 Going concern *(Continued)*

(a) **Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position** *(Continued)*

As a result of the completion of the Repurchase Agreements and the discharge of the GBT Indebtedness, the GSH Indebtedness and the Dajincang Indebtedness as set out above, the Group and the GSH Group together recorded a one-off gain on debt restructuring of approximately HK\$1,325.0 million, being the difference between the considerations payable to Changchun Rudder and the amounts of the GBT Indebtedness and the GSH Indebtedness; and the write-back of accrued guarantee interest in relation to the discharge of financial guarantees obligations pursuant to the Financial Guarantee Contracts. As a result, the net liabilities of the Group improved to approximately HK\$5,570.9 million (31 December 2020: HK\$6,017.1 million) as at 30 June 2021.

The Company will endeavour to facilitate the implementation of the debt restructuring plan of the ABC Transferred Loans and the CCB Transferred Loans. It is currently expected that the debt restructuring plan of the ABC Transferred Loans and the CCB Transferred Loans could be completed by the end of 2021, pending and subject to the internal approval from the respective creditors and relevant local government authorities. The Board expects that upon the completion of the above debt restructuring plan, the financial position of the Group will improve significantly.

(b) **Resumption of land and buildings located in Luyuan District, Changchun**

As detailed in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), in respect of the resumption of the land and buildings owned by the Group and the GSH Group located in Luyuan District, Changchun, the People’s Republic of China (the “**PRC**” or “**China**”) (the “**Relevant Properties**”), the Group and the GSH Group have received an official document dated 28 April 2018 from the relevant authorities confirming the Relevant Properties being part of the subject properties for redevelopment under the PRC’s Slum Redevelopment Policy. Subsequently, an execution announcement for the redevelopment under the PRC’s Slum Redevelopment Policy was also issued on 30 October 2019.

The first phase of resumption involved the properties owned by a subsidiary of GSH (the “**Dihao Resumption**”) with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres. The completion of the Dihao Resumption took place in 2020 and all the compensation in the amount of approximately RMB443.0 million has been received during the Period. For details of the Dihao Resumption, please refer to the joint announcements made by the Company and GSH on 24 August 2020 and 30 September 2020.

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

2.2 Going concern *(Continued)*

(b) Resumption of land and buildings located in Luyuan District, Changchun
(Continued)

It is expected that the resumption of the remaining part of the Relevant Properties by the government will be conducted in stages according to the relevant government policy. The management expects that a substantial part of the remaining Relevant Properties owned by the Group and the GSH Group with an aggregate area of not less than 400,000 square metres will be resumed by the end of 2021. The Directors believe that the proceeds from the resumption of the Relevant Properties will help to relieve the financial and cash flow pressure of the Group during the period of suspension.

(c) Monitoring of the Group's operating cash flows

The Group has taken various measures to minimise operating cash outflow and secure financial resources during market turbulence as a result of, among others, the coronavirus disease (“**COVID-19**”) pandemic. During the Period, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in higher efficiency segments.

(d) Financial support from the indirect major shareholder

The Group has received a renewed written confirmation dated 30 March 2021 from 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) (“**Nongtou**”, together with its subsidiaries, the “**Nongtou Group**”) that it would continue to provide financial support to the Group in the following 24 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value as at 30 June 2021 amounted to approximately RMB2,193.1 million (31 December 2020: approximately RMB2,347.4 million). It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group, to provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group.



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

2.2 Going concern *(Continued)*

(e) *Introducing potential investors to the Company*

Subsequent to the completion of the subscription of shares on 20 August 2019 and 29 April 2020, the management of the Company has continued to seek opportunities for co-operation and potential investment with different industrial players or investors in order to strengthen the financial positions and the business profile of the Group.

The validity of the going concern assumption on which the condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Board, including the Audit Committee, is of the view that, the Group would have sufficient working capital for operation need for at least 12 months from 30 June 2021. Therefore, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

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

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

2.3 Changes in accounting policies and disclosures

The accounting policies adopted in preparing the condensed consolidated financial statements for the Period are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group and are effective from the Period.

Amendments to HKAS 39, HKFRSs 4, Interest Rate Benchmark Reform — Phase 2
7, 9 and 16

The adoption of the new/revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the Period and prior years.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four (six months ended 30 June 2020: four) reportable operating segments as follows:

- (a) the upstream products segment engages in the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products;
- (b) the amino acids segment engages in the manufacture and sale of corn based biochemical products, including lysine and threonine;
- (c) the corn sweeteners segment engages in the manufacture and sale of corn sweeteners, including glucose, maltose, high fructose corn syrup and maltodextrin; and
- (d) the polyol chemicals segment engages in the manufacture and sale of corn based biochemical products, including polyol chemicals, anti-freeze products, hydrogen and ammonia.

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

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results

Six months ended 30 June 2021 (unaudited)

	Upstream products HK\$'000	Amino acids HK\$'000	Corn sweeteners HK\$'000	Polyol chemicals HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from:						
External customers	772	1,090	355,645	2,418	–	359,925
Intersegment	579	759	–	616	(1,954)	–
Revenue	1,351	1,849	355,645	3,034	(1,954)	359,925
Segment results	(194,505)	(142,909)	(53,029)	(1,501)		(391,944)
Bank interest income						140
Unallocated income						16,018
Unallocated expenses						(44,361)
Share of loss of a joint venture						(2,004)
Gain on debt restructuring						1,325,031
Finance costs						(396,605)
Profit before tax						506,275
Income tax expenses						–
Profit for the period						506,275

Six months ended 30 June 2020 (unaudited)

	Upstream products HK\$'000	Amino acids HK\$'000	Corn sweeteners HK\$'000	Polyol chemicals HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from:						
External customers	239,648	9,312	228,895	1,280	–	479,135
Intersegment	9,775	7,270	–	238	(17,283)	–
Revenue	249,423	16,582	228,895	1,518	(17,283)	479,135
Segment results	(279,736)	(180,248)	(42,370)	(10,981)		(513,335)
Bank interest income						250
Unallocated income						12,882
Unallocated expenses						(41,039)
Share of loss of a joint venture						(1,270)
Finance costs						(360,331)
Loss before tax						(902,843)
Income tax expenses						–
Loss for the period						(902,843)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

Revenue information based on location of customers

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
The PRC	352,591	448,657
Asia, the Americas and other regions	7,334	30,478
	359,925	479,135

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	359,925	479,135
Other income and gains		
Amortisation of deferred income	4,708	3,418
Bank interest income	140	250
Gains arising from the sale of packing materials and by-products, net	599	563
Government grants (b)	1,038	3,432
Gain on debt restructuring (c)	1,325,031	—
Reversal of write-down of inventories, net	8,447	—
Reversal of impairment of prepayments, deposits and other receivables, net	11,273	—
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	8,799	—
Gain on disposal of property, plant and equipment	1	—
Wavier of payables	—	810
Subcontracting income	2,842	16,476
Rental income	1,080	—
Others	22,571	6,800
	1,386,529	31,749

Remarks:

- The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.
- Government grants represented rewards to certain subsidiaries of the Company with no further obligations and conditions to be complied with.
- The details of debt restructuring was set out in note 2.2(a) to the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



5. FINANCE COSTS

	Note	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank and other borrowings		253,776	217,880
Finance costs for discounted bills receivables		—	503
Interest on financial guarantees given by Nongtou	18(i)	10,456	9,527
Interest on payables to suppliers		89,195	99,605
Imputed interest on convertible bonds		43,140	32,728
Interest on lease liabilities		38	88
		396,605	360,331

6. PROFIT (LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	114,419	122,273
— Pension scheme contributions (a)	38,762	29,386
	153,181	151,659
Cost of inventories sold (b)	344,253	435,058
Depreciation		
— Property, plant and equipment	192,462	212,537
— Right-of-use assets	12,663	12,372
Amortisation of deferred income	(4,708)	(3,418)
Foreign exchange loss, net	1,133	182
Gain on debt restructuring	(1,325,031)	—
Gain on disposal of property, plant and equipment	(1)	—
(Reversal of impairment) Impairment of deposits paid for acquisition of property, plant and equipment	(8,799)	16,205
Reversal of write-down of inventories, net (c)	(8,447)	(2,086)
Impairment of trade and bills receivables, net	2,243	20,966
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	(11,273)	12,447

Remarks:

- (a) During the six months ended 30 June 2020, the government of the PRC granted reductions or exemptions from pension scheme contributions to certain subsidiaries operating in the PRC due to the COVID-19 pandemic.
- (b) Cost of inventories sold includes employee benefit expenses, depreciation and reversal of write-down of inventories, which are also included in the respective amounts disclosed separately above for each of these types of income and expenses.
- (c) Reversal of write-down of inventories were included in other income and cost of sales in the amounts of HK\$8,447,000 and Nil (six months ended 30 June 2020: Nil and HK\$2,086,000) respectively.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Period and the six months ended 30 June 2020.

During the Period and the six months ended 30 June 2020, no provision for the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share for the Period is based on the profit attributable to owners of the Company for the Period of HK\$503,605,000 (six months ended 30 June 2020: loss attributable to owners of the Company of HK\$848,412,000) and the weighted average number of ordinary shares in issue during the Period of 8,907,405,717 (six months ended 30 June 2020: 8,104,085,308) shares.

The calculation of the diluted earnings per share for the Period is based on the profit for the Period attributable to owners of the Company of HK\$546,745,000 (as adjusted for the imputed interest on convertible bonds of HK\$43,140,000) and the weighted average number of ordinary shares in issue during the Period of 14,080,166,000 shares (as adjusted for the assumed full conversion of convertible bonds). For the six months ended 30 June 2020, as the assumed full conversion of the convertible bonds has an anti-dilutive effect, the diluted loss per share was equal to the basic loss per share.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
At 1 January	5,797,334	6,151,537
Additions	19,793	31,069
Disposals	(52)	(17,544)
Resumption	—	(144,085)
Impairment losses	—	(124,883)
Write-off	—	(2,404)
Depreciation	(192,462)	(431,763)
Exchange realignment	68,258	335,407
At 30 June/31 December	5,692,871	5,797,334

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



11. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	590,159	573,288
Bills receivables	—	595
	590,159	573,883
Loss allowance	(445,874)	(439,117)
	144,285	134,766

The Group normally allows credit terms of 30 to 90 days (31 December 2020: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade and bills receivables are non-interest-bearing. At the end of the reporting period, the Group had a concentration of credit risk as 16.0% (31 December 2020: 7.6%) and 60.4% (31 December 2020: 22.9%) of the total trade and bills receivables that were due from the Group's largest customer and the five largest customers respectively.

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	68,201	94,662
1 to 2 months	36,527	23,275
2 to 3 months	9,013	6,556
3 to 6 months	24,396	8,617
Over 6 months	6,148	1,656
	144,285	134,766

Notes to Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Prepayments	35,157	32,809
Deposits and other debtors	123,640	95,494
The PRC value-added tax (“VAT”) and other tax receivables	104,036	103,441
Receivables from disposal of assets (a)	142,312	140,617
Receivables from the Dihao Resumption	—	408,316
	405,145	780,677

Remark:

- (a) Included in the receivables from disposal of assets was the remaining consideration receivable in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land located in Luyuan District in Changchun during the year ended 31 December 2014, which amounted to approximately HK\$120,482,000 (31 December 2020: HK\$119,048,000) at 30 June 2021.

13. TRADE AND BILLS PAYABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Note	
Trade payables		
— To third parties		991,094
— To the Nongtou Group (a)	18(ii)	343,055
		1,182,008
Bills payables		1,334,149
		23,810
		1,182,008
		1,357,959

Remark:

- (a) The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12.0% per annum (31 December 2020: 7.2% to 12.0% per annum) after the credit periods lapsed.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



13. TRADE AND BILLS PAYABLES (Continued)

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2020: 30 to 90 days) from its suppliers.

An ageing analysis of the trade and bills payables at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	57,514	44,092
1 to 2 months	4,064	19,021
2 to 3 months	2,411	7,412
Over 3 months	1,118,019	1,287,434
	1,182,008	1,357,959

14. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Note	
Accruals for employee benefits	460,157	416,656
Payables for purchases of machinery	127,768	126,825
Receipts in advance	110,626	114,377
Payables to the Nongtou Group	583,574	713,766
VAT and other duties payables	210,388	196,008
Accruals and other creditors	1,187,113	1,395,213
	2,679,626	2,962,845

15. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Authorised: 20,000,000,000 (31 December 2020: 20,000,000,000) ordinary shares of HK\$0.10 each	2,000,000	2,000,000

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. SHARE CAPITAL (Continued)

Issued and fully paid:	2021 (Unaudited)		2020 (Audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	8,907,405,717	890,741	7,678,798,032	767,880
New shares issued	—	—	1,228,607,685	122,861
At 30 June/31 December	8,907,405,717	890,741	8,907,405,717	890,741

16. FINANCIAL GUARANTEE CONTRACTS

The Guarantor Subsidiaries have jointly provided corporate guarantees in respect of the financing facilities granted to Dajincang since 2010. The maximum amount of the financing facilities was RMB2.5 billion at 31 December 2020. Since the management of the Company was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability in respect of the Financial Guarantee Contracts has been recognised in the Group's annual consolidated financial statements for the year ended 31 December 2020.

During the Period, the Guarantor Subsidiaries have recognised interest of approximately HK\$41.1 million (six months ended 30 June 2020: HK\$75.1 million) in respect of the Financial Guarantee Contracts, which was recorded in "other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

As mentioned in note 2.2(a) to the condensed consolidated financial statements, upon the completion of the Repurchase Agreement between Dajincang and Changchun Rudder on 31 March 2021, the financial guarantee obligation of the Guarantor Subsidiaries pursuant to the Financial Guarantee Contracts have been discharged under the applicable law in the PRC.

17. CAPITAL COMMITMENTS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Purchase/Construction of property, plant and equipment	579,987	574,576



18. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as detailed elsewhere in the condensed consolidated financial statements, the Group had the following major transactions/balances with related parties during the Period and at the end of the reporting period:

(i) Transactions with related parties

Related parties	Nature of transactions	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
The Nongtou Group	Purchase of corn kernels (b)	—	19,840
The Nongtou Group	Sale of corn starch and other products (c)	—	(14,597)
The Nongtou Group	Interest on payables	58,643	94,042
The Nongtou Group	Interest on other borrowings	4,941	7,976
Nongtou	Guarantee charge	10,456	9,527

(ii) Balances with related parties

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Due to a joint venture (a)	(996)	(4,719)
Due to an associate (a)	(1,326)	(1,410)
Trade payables to the Nongtou Group (b)	(293,005)	(343,055)
Other payables to the Nongtou Group (d)	(583,574)	(713,766)
Other borrowings from the Nongtou Group (e)	(61,627)	(60,893)

Remarks:

- (a) The balances are unsecured, non-interest bearing and have no fixed repayment terms.
- (b) The Group sourced corn kernels from the Nongtou Group. These purchases were made in accordance with the master supply agreement in relation to the supply of corn kernels by the Nongtou Group to members of the Group dated 12 September 2018. The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12.0% per annum (31 December 2020: 7.2% to 12.0% per annum) after the lapse of credit periods.
- (c) The Group sold corn starch to the Nongtou Group. These sales were made in accordance with the master sales agreement in relation to supply of corn starch and other corn-based products dated 12 September 2018.
- (d) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 7.2% to 12.0% per annum (31 December 2020: 7.2% to 12.0% per annum) and repayable on demand.
- (e) The other borrowings from the Nongtou Group are unsecured, interest-bearing at 13.6% (31 December 2020: 13.6%) per annum and repayable on demand.

Notes to Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

18. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short-term employee benefits	3,152	2,709
Post-employment benefits	483	343
	3,635	3,052