GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code : 00809

INTERIM REPORT 2013

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 800,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 210,000 mt
- Corn Refinery — 2.4 million mt
- Ammonia — 120,000 mt
- Hydrogen — 60 million m^3

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

LIAONING

Annual Production Capacity:

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

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

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 340,000 mt

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

HONG KONG

Headquarter

mt: metric tonnes
m^2: metres square
m^3: metres cube

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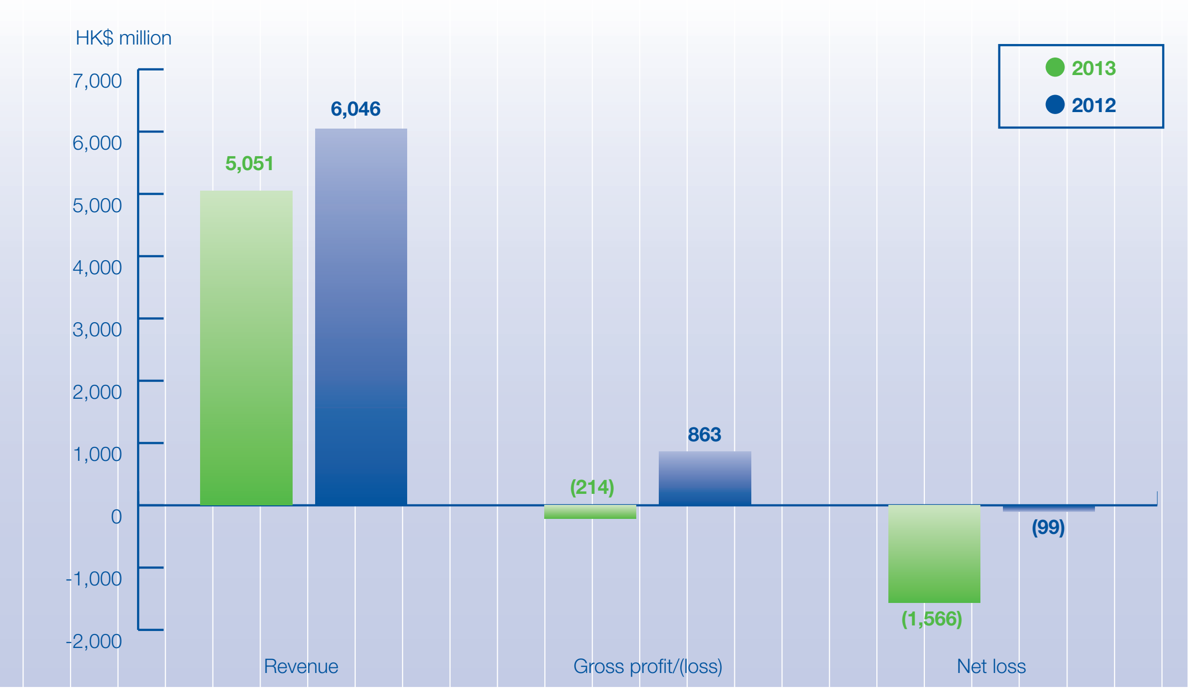
Financial Highlights



	Unaudited six months ended 30 June		
	2013	2012	Change
		(Restated)	
Operating results (HK$ million)			
Revenue	**5,051**	6,046	(16)%
Gross profit/(loss)	**(214)**	863	(125)%
Net loss attributable to owners of the Company	**(1,566)**	(99)	(1,482)%
Basic losses per share (HK cents)	**(47.98)**	(3.02)	(1,489)%

Corporate Information

BOARD OF DIRECTORS

Liu Xiaoming, *Chairman*
Wang Guifeng, *Executive Director*
Xu Ziyi, *Executive Director*
Lee Yuen Kwong,
Independent Non-Executive Director
Chan Man Hon, Eric,
Independent Non-Executive Director
Li Defa,
Independent Non-Executive Director

COMPANY SECRETARY

Cheung Kin Po, CPA Australia, HKICPA

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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26th Floor, Tesbury Centre
28 Queen's Road East
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WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

The slowdown in economic development had led to retreated domestic consumption power in Mainland China. In light of a more conservative spending attitude and the adverse impact of bird flu H7N9, the consumer products and food and beverage sectors in Mainland China had decelerated its development.

Despite the Group's application of stringent cost control and efficiency enhancement measures, the overall gross margins had been affected during the half-year period. A sluggish operating environment compounded by high raw material costs and pressured average selling price ("ASP") had dragged down the profitability of the Group. In addition, the Group's operating results during the six months ended 30 June 2013 ("Period") were also hampered by the provisions for impairment of certain polyol chemicals' production facilities, as well as the slow moving inventories of Polyol chemical products and resulted in a net loss attributable to owners of the Company for the Period. However, the aforementioned provisions for inventory and impairment loss are non-cash accounting items. The Group's financial position remained healthy, with cash and cash equivalents of approximately HK$2.13 billion as at the end of the Period. During the period under review, the Group reported a consolidated revenue of HK$5.1 billion.

Like all commodities, lysine's performance is subject to the ups and downs of the product's business cycle. Over-optimism during the boom in 2011, when the market witnessed hiking lysine price and robust demand, had fuelled growth in additional capacity from both large and small manufacturers. The majority of these capacities were released in the last quarter of 2012 and the first half of 2013, resulting in excess supply to a temporarily shrunken market due to the bird flu outbreak.

Being the world's largest lysine manufacturer, the Group has established an enormous capacity satisfying the demand at home and abroad. We have also pioneered into the development of protein lysine and products of varying lysine concentration catering for different market needs. Economies of scale and a dominant market presence allowed the Group to maintain its market share as well as its cutting edges in a shaken lysine market.

During the period under review, the Group has fully leveraged its vertically integrated set-up. The Group's self-sufficient operations supported by upstream feedstock production enabled it to better schedule its work flow and effectively control raw material inventory, hence lowering its unit costs.

Capitalising on its extensive distribution channels and established relationship with long-term customers, the Group managed to achieve an increase in sales volume to over 300,000 metric tonnes for the period under review, amidst an unfavorable market environment. The plunge in ASP and high corn kernel costs had, however, severely pressured the Group's lysine operations gross margins.

As the seasonality factor affecting corn price becoming less obvious, the Group adopted a more flexible approach in purchasing corn stock. Such measures served to significantly reduce the Group's capital commitment at the beginning of a financial year, and to certain extent eased its financing costs.

The Group's commitment in developing polyol chemicals into a preferred substitute for petrochemical products has yet to generate the required results. Relatively low in domestic chemical prices and the longer than expected period to secure market acceptance of this innovative green substitute continued to hamper the profitability of polyol chemicals. During the period under review, the Group had made a decisive judgement to temporarily suspend the production of polyol chemicals to minimise operation outlay, as the division continued to incur loss. As a result, there was only a minimum sales volume of polyol chemicals in the six-month period.

Performance of the corn sweeteners division, which was operated through a separate listed subsidiary of the Company, was basically within market expectation during the period under review.

OUTLOOK

While there is no sign of significant improvement for the lysine market in the middle of the year, a soft landing of the Mainland China economy is expected to sustain stable domestic consumption, which will have a positive impact on the Group's sales. There is a general market consensus that the Mainland China lysine market will attain a growth rate of not more than 10 per cent for the year 2013.

Although the market for the second half of 2013 remains challenging, the Group expects the ASP of its lysine products to modestly improve by the end of the year, with the arrival of the industry's traditional peak season. Following the gradual departure of bird flu in Mainland China, sales of amino acid for animal feed are expected to revive. Nevertheless, tight credit control and general expectation of waned lysine ASP will result in shorter lead time for multiple orders of smaller amount.

The lysine industry is expected to undergo another consolidation, in particular in Mainland China where a significant number of short-sighted amateurs have committed substantial resources in the manufacture of lysine, as well as upstream corn starch. The sliding ASP of lysine and high corn costs are pushing inefficient producers to the edge of closure. Effective elimination of excess capacity will not only allow lysine ASP to return to a reasonable level, but also enable the industry to have a more rational allocation of resources. The consolidation of the industry's capacities under a smaller number of sizeable manufacturers is expected to facilitate the resumption of orderly development.

The global market is basically dominated by a handful of large players, among which the Group has the largest production capacity. Although the release of a certain amount of new capacities in the near term will further intensify competition, this also indicates large international producers' anticipation of significant growth in world demand for lysine. According to Transparency Market Research, a US-based institute, the global lysine market is expected to maintain an annual compound growth rate of 5.8 per cent from 2012 to 2018. The Group will strive to further consolidate its market coverage.

Considering the uncertain market outlook, the Group will persist with its cautious approach in managing its financial resources and running its production operations. The Group will also strengthen its internal control and raise awareness of risk management. Capital expenditure will be focused on equipment and facilities maintenance. Other expenses will also be minimised to maintain a sound financial position to weather volatile market environment.

The Group will continue to halt its polyol chemical production until operation resumption is justified by favourable market conditions. The Group will also adjust the pace of development of other facility according to market conditions, to optimise resources and capital utilisation in strengthening its earning power.

In addition to tightened cost control, the Group is seeking to enhance production efficiency through improvement in production process management and application of new type of catalyst to improve fermentation yield.

Under an extreme industry consolidation, only the fittest can survive. Given the Group's leading market position and niches in manufacturing know-how as well as technology development, it is seeking to solidify its market influence, as the sector is going through its fundamental transformation.

Liu Xiaoming
Chairman

30 August 2013

Management Discussion and Analysis

The Group is principally engaged in the manufacture and sale of corn refined products, categorised into three major business segments, namely, the amino acids, polyol chemcials, and corn sweeteners segments. Corn, as the major raw material, is first refined by the wet milling process and then further refined biochemically or chemically to process into a wide range of high value-added downstream products.

BUSINESS ENVIRONMENT

In the first half of 2013, although the United States has gradually restored its economic growth, the global economy was still far from optimistic due to continuous concerns within certain European countries and hampered emerging markets from the financial crisis. Moreover, the slowdown in economic growth rate in Mainland China in addition to the complicated economic situation led to unfavorable market conditions for the Group. The PRC Central Government continued to implement series of measures and policies aiming to maintain steady growth within the country. However, decreased consumption power of consumers and increased pressure from peaking agricultural products costs gave rise to a rough operating environment for corn refinery industry.

Advancement in agricultural infrastructure including information system, warehouses for inventory, and transportation network within agribusiness areas, diminished the seasonality of corn kernels' price fluctuations. Also, in light of the escalating policy procurement prices in recent years, corn farmers and trading houses are less worried in utilizing the crop during harvest seasons. This suggests that corn price will continue to experience an upward trend at a relatively steady rate.

In the first half of 2013, rising raw material costs together with the government's tightened measures on food safety and stricter health requirement for animal raisings and meat processing posed pressure on animal farming and created burden on the industries. In addition, the industry was further plundered by the outbreak of bird flu in March 2013.

The crude oil price and domestic chemicals product prices no longer held strong since the first quarter of 2013. The decrease in consumption of various chemicals products for downstream business, the relatively low crude oil price, and the longer than expected period to secure market acceptance of the polyol chemicals products further depressed the results of the Group's polyol chemicals business during the period under review.

FINANCIAL PERFORMANCE

The corn refinery industry has boomed rapidly over the past decade with the demand of corn as raw material for refinery and further processing also growing at an unanticipated pace. Since 2010, the PRC government has been imposing measures and policies to slow down the demand of corn by reducing and ceasing in licensing new investment on corn refinery.

The purposively and strategically planned vertical integration of corn refinery and downstream processing was well implemented in the Group's operation history. Corn starch refined from corn kernels, is used as major feedstock to downstream production, and consequently part of the production processes of various downstream products.

FINANCIAL PERFORMANCE *(Continued)*

The competition of corn refined products was intensified by increasing production capacities established over the years in the industry and increasing cost of corn. Corn refinery, previously referred to as the upstream products segment, is no longer a major business unit for the Group. Therefore, the various business segments have been re-categorized during the period under review. The three major business segments have been further integrated by considering and consolidating the corn refinery as an initial production process and also part of the production process of value-added downstream products. Each business segment accounts for its major product lines and by-products manufactured during the processes.

Group Financial Performance

(Revenue: HK$5.1 billion (2012: HK$6 billion))
(Gross loss: HK$214 million (2012: Gross profit: HK$863 million))
(Net loss: HK$1,566 million (2012: HK$99 million))

The decline in financial performance was mainly due to (i) the decline in the average selling prices and demand of the Group's products which in particular, the sale of the Group's lysine products was affected by the recent emergence of the new bird flu strain; (ii) the impairment loss made by the Group for the inventory of the polyol chemicals products due to the decrease of selling prices; (iii) the impairment loss made by the Group for the polyol chemicals production facilities in view of the unfavourable market conditions of the polyol chemicals products, and (iv) the increase of the average cost of corn kernels by approximately 11% to approximately HK$2,509 (2012: HK$2,257) per metric tonne ("MT") compared with the same period last year.

Amino acids segment

(Revenue: HK$3.1 billion (2012: HK$4.0 billion))
(Gross profit: HK$109 million (2012: HK$730 million))

The amino acids segment consists of major product lines such as lysine, protein lysine, threonine and other products — modified starch and corn refined products.

During the Period, the revenue and gross profit of this segment decreased by approximately 24% and 85%, respectively, which were mainly attributable to the heavy pressure on average selling price and inflating cost of the raw material, namely, corn.

The revenue and gross profit of amino acids major products, such as lysine, protein lysine, threonine, and etc. amounted to approximately HK$2.5 billion (2012: HK$3.2 billion) and approximately HK$160 million (2012: HK$754 million) respectively, which accounted for approximately 50% (2012: 53%) of the Group's total revenue.

Among the major products, lysine products contributed the most to the Group's operations, which are applied as an additive in animal feed. The average selling price of lysine continued a downward trend since the last quarter of 2012 with a significant decrease in the gross profit of approximately 25% as compared to the same period last year. This downturn cycle is mainly attributable to the additional production capacity launched from the market and adverse impact from the H7N9 bird flu outbreak. Nevertheless, the sales volume maintained an expected gain of 7% due to a steady growing demand from animal feed market.

FINANCIAL PERFORMANCE *(Continued)*

The modified starch products within the segment recorded revenue of approximately HK$96 million (2012: HK$168 million) but gross loss of approximately HK$2 million (2012: gross profit HK$13 million) due to increasing production costs despite a slight increase in selling price of products.

Reduction in sales volume of corn refined products by approximately 27% resulted in the revenue to decrease by approximately 17% as compared to the same period last year, which amounted to approximately HK$471 million (2012: HK$567 million). The gross loss and gross loss margin of the upstream corn refined products were approximately HK$56 million (2012: gross loss HK$38 million) and approximately 12% (2012: 7%) respectively.

Polyol chemicals segment

(Revenue: HK$625 million (2012: HK$748 million))
(Gross loss: HK$422 million (2012: HK$49 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, hydrogen, ammonia, and corn refined products.

The corn refinery in polyol chemicals segment has no direct external sales of corn starch, but directly processes glucose as an intermediary for the polyol chemicals segment as well as the amino acids segment. During the Period, the sales volume of the glucose to amino acids segment decreased by approximately 44% to approximately 98,000 metric tonne (2012: 175,000 metric tonne) compared with the same period of last year. The revenue and gross profit decreased by approximately 45% to approximately HK$240 million (2012: HK$435 million) and by approximately 58% to approximately HK$22 million (2012: HK$53 million) respectively.

In light of reduced utilization of the facility, the sales volume of the corn refined products decreased by approximately 23% to approximately 39,000 metric tonne (2012: 51,000 metric tonne) as compared with the same period last year. During the Period, the revenue decreased by approximately 24% to approximately HK$98 million (2012: HK$129 million) and the gross loss decreased by approximately 31% to approximately HK$19 million (2012: HK$27 million). The gross loss margin was approximately 19% (2012: 21%).

The polyol chemicals products generated revenue of approximately HK$79 million (2012: HK$184 million) and contributed gross loss amounting to approximately HK$398 million (2012: HK$75 million). Such deterioration was driven by consequential decline in market prices of chemical products due to unfavorable market conditions in the chemical industry. The market selling price of chemical products has been dropping dramatically since second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals amounted to approximately HK$334 million at 30 June 2013 (2012: HK$58 million) was made. As a result, this business recorded a gross loss margin of approximately 502% (2012: 46%) during the Period. In view of the challenging operating conditions of the polyol chemicals business, the production of polyol chemicals has been temporarily suspended since June 2013.

Ammonia is a new product launched by the Group since 2013. The revenue and gross loss of ammonia are approximately HK$208 million and HK$27 million respectively. Most of the ammonia was supplied to amino acids segment for production use.

FINANCIAL PERFORMANCE *(Continued)*

Corn sweeteners segment

(Revenue: HK$2,095 million (2012: HK$2,261 million))
(Gross profit: HK$98 million (2012: HK$181 million))

The corn sweeteners segment consists of various liquid and solid sweeteners products and corn refined products, and is mainly operated by Global Sweeteners Holdings Limited ("GSH"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Stock Exchange, and its subsidiaries.

The operating environment of corn sweeteners was depressed by the increased raw material costs during the Period. The sales volume dropped by approximately 6% and revenue of corn sweeteners division decreased by approximately 7% as compared with the corresponding period last year. The gross profit from this segment decreased to approximately HK$98 million (2012: HK$181 million), with a gross profit margin of approximately 5% (2012: 8%).

Consolidated results by product series

The consolidated revenue and gross profit/(loss) of the Group's products sold to external customers decreased substantially by approximately 16% and 125% respectively during the Period, which were mainly attributable to the drop in average selling prices and the rise in average cost of goods sold. The consolidated figures in sales volume, average selling price, average cost of goods sold, revenue and gross profit/(loss) for the Period and the corresponding period last year as categorized by products are summarised as follows:

For the six months ended 30 June 2013

Product series	Sales volume	Average selling price	Average cost of goods sold	Revenue	Gross profit/(loss)
	MT	*HK$ per MT*	*HK$ per MT*	*HK$'000*	*HK$'000*
Upstream products	478,250	3,084	3,240	1,475,038	(74,475)
Downstream products					
Amino acids	307,430	8,269	7,703	2,542,253	174,061
Modified starch	22,303	4,300	4,381	95,895	(1,812)
Polyol chemicals	10,538	7,527	43,778	79,319	(382,004)
Ammonia	5,279	2,989	4,025	15,781	(5,468)
Corn sweeteners	230,762	3,651	3,324	842,588	75,503
Total				5,050,874	(214,195)

FINANCIAL PERFORMANCE *(Continued)*

Consolidated results by product series *(Continued)*

For the six months ended 30 June 2012

Product series	Sales volume *MT*	Average selling price *HK$ per MT*	Average cost of goods sold *HK$ per MT*	Revenue *HK$'000* (Restated)	Gross profit/(loss) *HK$'000* (Restated)
Upstream products	520,839	3,019	3,176	1,572,370	(81,939)
Downstream products					
Amino acids	289,108	11,075	8,029	3,201,799	880,594
Modified starch	40,242	4,172	3,863	167,902	12,444
Polyol chemicals	21,944	8,371	12,201	183,702	(84,048)
Ammonia	—	—	—	—	—
Corn sweeteners	255,711	3,597	3,067	919,835	135,491
Total				6,045,608	862,542

Export Sales

The Group generated revenue of approximately HK$1.2 billion (2012: HK$1.5 billion) from export sales, which accounted for approximately 24% (2012: 26%) of the Group's total revenue, representing a decrease of approximately HK$308 million or 2% as compared to the same period last year. The drop was due to the slowdown of the global market.

Operating expenses, finance costs and income tax expense

Despite a decrease of approximately 7% in sales volume of the Group, the selling and distribution costs amount to approximately HK$360 million (2012: HK$330 million), representing an increase of approximately 9% as compared to the same period last year. The ratio of such operating expenses over the Group's revenue surged up to approximately 7.1% (2012: 5.5%) as the revenue amount of the Group decreased by approximately 16% as compared to the same period last year.

The administrative expenses of approximately HK$264 million (2012: HK$181 million) increased by approximately 46% as compared to the corresponding period last year and the ratio of such administrative expenses to turnover increased to approximately 5.2% (2012: 3.0%), due to the decrease of revenue during the Period.

FINANCIAL PERFORMANCE *(Continued)*

Operating expenses, finance costs and income tax expense *(Continued)*

The other operating expenses for the Period amounted to approximately HK$616 million (2012: HK$150 million) mainly comprising of legal expenses of approximately HK$3 million (2012: HK$6 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$9 million (2012: HK$9 million) due to the development of new series of lysine products; the provision for doubtful debts written back of approximately HK$64 million (2012: Provision of doubtful debts HK$179 million) for the long overdue debtors; the loss on foreign exchange of approximately HK$75 million (2012: HK$1 million) including an exchange loss of approximately HK$36 million for redemption of the put option and the appreciation of RMB during the Period, and impairment of property, plant and equipment of approximately HK$581 million (2012: nil) due to unfavourable market conditions of the polyol chemicals products and certain production facilities relating to polyol chemicals products line was written down in the present value.

As announced by the Company on 23 May 2013 and with reference to the Company's announcements in May 2011, the investor of Changchun Dacheng Bio-tech Development Co., Ltd. ("Dacheng Bio-Tech") exercised the put option with a discounted exercise price, thus a gain on exercise of put option from the notional interest income of approximately HK$188 million was recorded. However, owing to the enlarged borrowing portfolio, the rise of interest rate and a notional interest expenses of HK$33 million (2012: HK$48 million) included for the put option, the finance costs of approximately HK$350 million (2012: HK$296 million) increased by approximately 18% as compared to the corresponding period last year. It is anticipated that the heavy pressure from finance costs will remain during the rest of 2013.

During the Period, Changchun Dahe Bio Technology Development Co., Ltd ("Dahe") paid approximately HK$750 million as dividend and approximately HK$125 million as dividend payable to Global Bio-chem Technology Investments (HK) Limited, which generated a withholding tax amounting approximately HK$44 million (2012: nil). Meanwhile, for sake of prudence, an additional of HK$40 million deferred tax provision which related to the distributable profits of Dahe and Changchun Dacheng Industrial Group Co., Ltd. was made. The total income tax amounting to approximately HK$121 million (2012: HK$21 million) was charged for the Period representing an increase of approximately 476% over the corresponding period last year.

Profit shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$110 million (2012: HK$111 million) which gave rise to the loss shared by the non-controlling shareholders of GSH amount to approximately HK$39 million (2012: HK$40 million).

During the Period, Dacheng Bio-tech and Changchun GBT Bio-Chemical Co., Ltd. ("JBT") recorded a profit of approximately HK$55 million and a loss of approximately HK$351 million respectively which gave rise to the profit shared by the non-controlling shareholders of Dacheng Bio-tech which amounted to approximately HK$16 million (2012: HK$3 million) and the loss shared by the non-controlling shareholders of JBT amounted to approximately HK$60 million (2012: nil). On 23 May 2013, the Group acquired all of the equity interest of Dacheng Bio-tech and JBT from the then non-controlling shareholders and Dacheng Bio-tech and JBT became fully owned subsidiaries of the Group as at 30 June 2013.

FINANCIAL PERFORMANCE *(Continued)*

Profit shared by non-controlling shareholders *(Continued)*

During the Period, the Group acquired 51% of the entired issued share capital of the holding company of Changchun Wanxiang Corn Oil Co., Ltd ("Wanxiang"), which is a wholly foreign owned enterprise established in the PRC principally engaged in the manufacture and sale of corn oil, Wanxiang recorded a net loss of approximately HK$1.8 million which gave rise to the loss shared by the non-controlling shareholders of Wanxiang which amounted to approximately HK$0.9 million (2012: nil).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2013 increased by HK$1.4 billion to approximately HK$9.6 billion (31 December 2012: HK$8.2 billion). The net borrowings increased to approximately HK$7.5 billion (31 December 2012: HK$6.9 billion). Cash and cash equivalents increased by approximately HK$869 million to approximately HK$2.1 billion (31 December 2012: HK$1.3 billion) as compared to the cash level as at 31 December 2012.

Structure of interest bearing borrowings

As at 30 June 2013, the Group's bank and other borrowings amounted to approximately HK$9.6 billion (31 December 2012: HK$8.2 billion), of which approximately 2% (31 December 2012: 2%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 98% (31 December 2012: 98%) were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 7.3% (2012: 7.1%).

As at 30 June 2013, the percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 46% (31 December 2012: 41%), approximately 46% (31 December 2012: 48%) and approximately 8% (31 December 2012: 11%), respectively. The changes were mainly due to the increase of approximately HK$1.0 billion short term loans repayable within one year. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Period, trade receivables turnover days increased to approximately 57 days (31 December 2012: 48 days). Meanwhile, the trade creditors turnover days increased to approximately 92 days (31 December 2012: 46 days) because the rate of the payment to account payables has been tightened by the Group during the Period. On the other hand, the drop of 7% in sales volume of the Group resulted in slower inventory turnover and as a result, the inventory turnover days increased to 145 days (31 December 2012: 128 days). Simultaneously, the Group's stock level increased to approximately HK$4.2 billion (31 December 2012: HK$3.6 billion) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Despite the increase of short term interest bearing borrowings of approximately HK$1 billion when compared to the position as at 31 December 2012, the current ratio and the quick ratio remained at same level of approximately 1.2 (31 December 2012: 1.2) and 0.7 (31 December 2012: 0.7) respectively. It is because the increase in short term borrowings was offset by the increase of operating cash flow. Moreover, due to the increase of interest bearing borrowings during the Period, gearing ratio in terms of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 77% (31 December 2012: 62%) and to approximately 85% (31 December 2012: 72%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity remained the same level to approximately 41% (31 December 2012: 36%) and 99% (31 December 2012: 73%) respectively. In view of the continual support from existing bankers, the Group is confident in obtaining continuous financing resource for its operation.

OUTLOOK

In anticipation of repercussions of unfavorable external economic conditions and volatile market conditions in China for the remaining of the year, the Group shall adopt cautious strategies in enduring its operation in light of the challenging environment.

As the preferences for pork and other kinds of meat are deeply ingrained in Chinese dietary habits, such is expected to fuel stable demand for animal feed, and hence amino acid consumption. Mainland China's pork production accounted for half of the world in total. The mainland population's pork consumption was six times of that of the United States ("US") in 2012. Lysine will remain a much desired feed additive and there is a general market consensus that the Mainland China lysine market will attain a growth rate of not more than 10 per cent for the year 2013.

According to Transparency Market Research, a US-based institute, the global lysine market is expected to maintain an annual compound growth rate of 5.8 per cent from 2012 to 2018. As announced by the Company on 6 June 2013, the Group's collaboration with Archer Daniels Midland Company, a company incorporated in Delaware US and which is one of the world's largest livestock producing areas, will enable the Group to extend its market reach to the South America continent. The Group will, thus, be able to deepen and diversify its penetration of the global lysine market.

Notwithstanding an increasing market competition of the amino acids industry, the gradual increases in volume sales according to the market demand and maintenance of the leading position among the industry are always the priority of the Group's objective. Improvements in technology know-how, production efficiency, and cost controls flexibilities are prudent strategies at all times. The solid foundation built with a total fermentation production capacity of 800,000 metric tonnes per annum is equipped by the Group in order to respond and supply to the market according to the market changes.

For the polyol chemicals business, the operation resumption of the production facilities with the annual capacity of 200,000 metric tonnes will be endorsed by meliorating market conditions. However, the second phase construction of production facilities for polyol chemicals with the annual production capacity of 500,000 metric tonnes in Xinglongshan will be halted in 2013.

OUTLOOK *(Continued)*

Considering the challenging market outlook, the Group will persist with its cautious approach in managing its financial resources and optimising its production operations. Capital expenditure will be controlled with regard to equipment and facilities maintenance. Other expenses will also be strictly monitored and minimised in order to maintain a sound financial position to weather volatile market environment.

Foreign exchange exposure

Since most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY currency SWAP (the "SWAP") with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchanging risk of the Bonds. Under the SWAP, the Group is liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 in return for 7% interest on the principal of RMB450 million semi-annually to 16 May 2014 and exchange the aforesaid US$69,875,776.40 into RMB450 million on 16 May 2014. The Directors believe that holding the SWAP to the maturity is the best interest to the Group. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Period and the Group did not have any material hedging instrument outstanding as at 30 June 2013.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and three of its subsidiaries ("Relevant Group Members") received writs of summons ("Writs") on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands ("Court") which were issued at the request of Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") in respect of an alleged infringement by the Relevant Group Members of patent numbered EP 1.664.318 (entitled "L-amino acid-producing micro-organism and method for producing L-amino acid") ("Relevant Patent").

Pursuant to the Writs, the Plaintiffs requested the Court to rule that the Relevant Group Members have committed infringement and to make orders against the Relevant Group Members for, among others things, (i) forbidding the Relevant Group Members to commit infringement, or in any case to be involved in and/or benefit from infringing activities with regard to the Dutch part of the Relevant Patent; (ii) forbidding the Relevant Group Members to be involved in and/or benefit from the commercial trade of L-lysine on the Dutch market for a period of one year; (iii) providing to the counsel of the Plaintiffs an overview of the turnovers and net profits realized with the infringing L-lysine products; (iv) requesting all buyers of the Relevant Group Members with registered offices in the Netherlands to return the infringing L-lysine products; (v) placing a message on the website of the Company regarding the infringement; (vi) surrendering and destroying the stored infringing L-lysine products in the Netherlands; (vii) paying penalty of EUR100,000 per day for non-compliance of any of the above orders; (viii) paying for the cost of the legal proceedings; and (ix) paying either the net profit enjoyed with the infringement and interest accrued thereon as the Plaintiffs may claim, or the net profit enjoyed by the Relevant Group Members or the damage, costs of which to be assessed by the Court.

STATUS OF INFRINGEMENT LITIGATIONS *(Continued)*

The first day of the hearing of the above legal proceedings has been set on 30 October 2013. The Plaintiffs also sought for provisional orders to be made on (i) to (v) and (vii) to (viii) above, which hearing will be held on 26 September 2013.

The Group is currently seeking legal advice in relation to the above legal proceedings. Based on facts and circumstances known to the Board and subject to further legal advice and a detailed assessment of the business and financial implications, given that the sales of L-lysine products of the Group to the Netherlands amounted to approximately US$11,602,000 for the year ended 31 December 2012, which accounted for about 1% of the Group's turnover during that year, the Board is of the opinion that the legal proceedings will not have any material effect on the financial or trading position of the Group as a whole.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has sufficient grounds to defend against the claims. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, there was no material contingent liability of the Group as at 30 June 2013.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2013, the Group had approximately 6,500 full time employees in Hong Kong and the PRC. The Group recognizes the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production capability and development of new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	*1*	19,090,400	489,048,000	508,138,400	15.57
Ms. Wang Guifeng	*2*	1,500,000	–	1,500,000	0.05
Ms. Xu Ziyi	*3*	1,550,000	–	1,550,000	0.05

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

Name of director	*Note*	**Number of shares held**	**Approximate percentage of the issued share capital of GSH**
Mr. Liu Xiaoming	*4*	6,000,000	0.39

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

Notes:

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

2. These are underlying shares comprised in the options granted to Ms. Wang Guifeng pursuant to the share option scheme of the Company.

3. Among these interests, 1,480,000 of which are ordinary shares of the Company held by Ms. Xu Ziyi as beneficial owner and 70,000 of which are ordinary shares of the Company held by the personal representative of the late spouse of Ms. Xu.

4. These shares are underlying shares comprised in the options granted to Mr. Liu Xiaoming pursuant to the share option scheme of GSH.

Save as disclosed above, as at 30 June 2013, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, 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 director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and 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 2013, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Name	*Notes*	**Number of ordinary shares held**		**Percentage of the Company's issued share capital**
LXM Limited	*1*	489,048,000	(L)	14.99
Crown Asia Profits Limited	*2*	295,456,000	(L)	9.05
Mr. Kong Zhanpeng	*3*	260,176,000	(L)	7.97
Mr. Wang Tieguang	*4*	254,369,920	(L)	7.79
Hartington Profits Limited	*3*	241,920,000	(L)	7.41
Rich Mark Profits Limited	*4*	241,920,000	(L)	7.41

L = long position

Notes:

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

2. The entire issued capital of Crown Asia Profits Limited was held by the personal representative of the late Mr. Xu Zhouwen, a former executive Director who passed away on 20 August 2012.

3. These shares were held as to 18,256,000 shares by Mr. Kong Zhanpeng, a former director of the Company and an executive director of GSH and 241,920,000 shares by Hartington Profits Limited, a company incorporated in the BVI. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

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

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort in identifying and formalising best practices. The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, save as disclosed below, the Board considers that the Company has complied with all code provisions as laid down in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Period.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be performed by different individuals. The Company did not have any officer with the title "chief executive officer" but Mr. Liu Xiaoming is currently taking up the role of chairman and undertaking the function as chief executive officer. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring effective and efficient decision making and management control.

The Company has adopted a code of conduct regarding the 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.

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

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 and internal controls. The audit committee comprises three independent non-executive Directors namely Mr. Lee Yuen Kwong (the chairman of the committee), Mr. Chan Man Hon, Eric, and Mr. Li Defa.

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

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been reviewed by the audit committee and its external auditor, Ernst & Young.

Disclosure of Additional Information

REMUNERATION COMMITTEE

The members of the remuneration committee ("Remuneration Committee") comprise two independent non-executive Directors, namely, Mr. Chan Man Hon, Eric (the chairman of the Committee) and Mr. Lee Yuen Kwong and one executive Director, Mr. Liu Xiaoming. 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 Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

The members of the Nomination Committee comprises Mr. Liu Xiaoming (the chairman of the Committee), Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric. The duties of the Nomination Committee are, among others, to review the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee comprises two independent non-executive Directors, namely Mr. Lee Yuen Kwong (the chairman of the committee) and Mr. Chan Man Hon, Eric, and one executive Director, Mr. Liu Xiaoming.

The duties of the Corporate Governance Committee are, among others, to review the Company's policies and practices on corporate governance and provide supervision over the Group's compliance with relevant requirements under the Corporate Governance Code, or other laws, regulations, rules and codes as may be applicable to the Group.

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

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

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

					Price of Company's shares	
Participants	**Number of share options at 1 January 2013 and at 30 June 2013**	**Date of grant of share options**	**Exercise period of share options**	**Vesting period of share options**	**Exercise price of share options** *HK$*	**Closing price immediately before the grant date** *HK$*
Wang Guifeng	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24
Employees	3,100,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24
	4,600,000					

As at the date of this report, 4,600,000 Shares were available for issue under the Scheme, representing approximately 0.14% of the issued share capital of the Company as at that date. No options to subscribe for Shares have been granted, exercised, lapsed or cancelled during the Period.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

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

Eligible participants of the GSH Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Participants	Number of share options at 1 January 2013 and at 30 June 2013	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options	Closing price immediately before the grant date
					HK$ per share	*HK$ per share*
Kong Zhanpeng	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Xu Zhouwen*	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees of GSH	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Liu Xiaoming	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
	31,400,000					

* Mr. Xu Zhouwen passed away on 20 August 2012, and all his share options had lapsed on 19 August 2013.

As at the date of this report, 25,400,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 1.66% of the issued share capital of GSH as at that date. No options to subscribe for shares have been granted, exercised, lapsed or cancelled during the Period.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Chan Man Hon, Eric, an independent non-executive Director of the Company, has resigned as an independent non-executive director of Emperor International Holdings Limited, a listed company in Hong Kong, on 8 August 2013

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 52 which comprises the condensed consolidated statement of financial position as at 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 August 2013

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013**	2012
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
REVENUE			
Sales of goods	*4*	**5,050,874**	6,045,608
Cost of sales		**(5,265,069)**	(5,183,066)
Gross profit/(loss)		**(214,195)**	862,542
Other income and gains	*4*	**300,863**	56,883
Selling and distribution costs		**(360,462)**	(329,914)
Administrative expenses		**(263,624)**	(180,700)
Other expenses		**(616,411)**	(149,890)
Finance costs	*5*	**(350,049)**	(296,415)
Share of losses of jointly-controlled entities		**—**	(1,324)
Share of losses of associates		**(22,647)**	(2,074)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(1,526,525)**	(40,892)
Income tax expense	*7*	**(121,246)**	(20,586)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(1,647,771)**	(61,478)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	*8*	**(2,377)**	(78,268)
LOSS FOR THE PERIOD		**(1,650,148)**	(139,746)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of financial statements of operations outside Hong Kong		**149,376**	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,500,772)**	(139,746)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Note	**Six months ended 30 June**	
		2013	2012
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
			(Restated)
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,565,676)**	(98,567)
Non-controlling interests		**(84,472)**	(41,179)
		(1,650,148)	(139,746)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,432,565)**	(98,567)
Non-controlling interests		**(68,207)**	(41,179)
		(1,500,772)	(139,746)
LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the period	*10*	**HK(47.98) cents**	HK(3.02) cents
— For loss from continuing operations		**HK(47.94) cents**	HK(1.56) cents
Diluted			
— For loss for the period	*10*	**HK(47.98) cents**	HK(3.02) cents
— For loss from continuing operations		**HK(47.94) cents**	HK(1.56) cents

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**12,581,666**	13,169,329
Prepaid land lease payments		**665,019**	687,193
Deposits paid for acquisition of items of property, plant and equipment and prepaid land lease payments		**228,127**	399,807
Goodwill		**348,428**	348,428
Intangible assets		**28,021**	29,079
Deferred tax assets		**95,409**	91,113
Investments in associates		**63,300**	85,947
Trade receivables – non-current	13	**—**	168,090
Total non-current assets		**14,009,970**	14,978,986
CURRENT ASSETS			
Inventories	12	**4,174,665**	3,645,280
Trade and bills receivables	13	**1,571,682**	1,577,271
Prepayments, deposits and other receivables		**1,377,969**	1,288,184
Due from associates	21(b)	**250,120**	134,984
Equity investments at fair value through profit or loss		**34,457**	34,079
Tax recoverable		**9,193**	9,080
Pledged deposits		**192,303**	—
Cash and cash equivalents		**1,943,013**	1,266,470
Total current assets		**9,553,402**	7,955,348
CURRENT LIABILITIES			
Trade and bills payables	14	**2,639,326**	1,300,917
Other payables and accruals		**1,028,509**	915,405
Interest-bearing bank loans and other borrowings	15	**4,425,674**	3,403,591
Guaranteed bonds	16	**42,291**	—
Put option	17	**—**	868,795
Tax payable		**111,273**	90,823
Total current liabilities		**8,247,073**	6,579,531
NET CURRENT ASSETS		**1,306,329**	1,375,817
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,316,299**	16,354,803

Interim Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	15	**5,181,065**	4,762,988
Guaranteed bonds	16	**—**	44,076
Derivative financial instruments		**8,036**	8,353
Deferred tax liabilities		**311,759**	268,118
Deferred income		**74,881**	33,092
Total non-current liabilities		**5,575,741**	5,116,627
Net assets		**9,740,558**	11,238,176
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	**326,349**	326,349
Reserves		**8,498,231**	9,343,820
		8,824,580	9,670,169
Non-controlling interests		**915,978**	1,568,007
Total equity		**9,740,558**	11,238,176

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Put option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	326,349	2,431,853	20,138	620,906	142,987	346,179	(714,286)	1,606,326	4,889,717	9,670,169	1,568,007	11,238,176
Loss for the period	–	–	–	–	–	–	–	–	(1,565,676)	(1,565,676)	(84,472)	(1,650,148)
Other comprehensive income for the period:												
Exchange realignment	–	–	–	–	–	–	–	133,111	–	133,111	16,265	149,376
Total comprehensive loss for the period	–	–	–	–	–	–	–	133,111	(1,565,676)	(1,432,565)	(68,207)	(1,500,772)
Acquisition of non-controlling interests	–	–	–	–	(127,310)	–	714,286	–	–	586,976	(586,976)	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,154	3,154
At 30 June 2013 (unaudited)	326,349	2,431,853*	20,138*	620,906*	15,677*	346,179*	–	1,739,437*	3,324,041*	8,824,580	915,978	9,740,558

* These reserve accounts comprise the consolidated reserves of the Group of HK$8,498,231,000 (31 December 2012 (audited): HK$9,343,820,000) in the condensed consolidated statement of financial position as at 30 June 2013.

	Attributable to owners of the parent												
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Put option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	326,199	2,429,618	21,188	621,325	142,987	329,977	(714,286)	1,503,059	5,457,816	65,240	10,183,123	1,679,417	11,862,540
Loss and total comprehensive loss for the period	–	–	–	–	–	–	–	–	(98,567)	–	(98,567)	(41,179)	(139,746)
Equity-settled share option arrangement	150	2,235	(522)	–	–	–	–	–	–	–	1,863	–	1,863
Reclassification	–	–	–	(419)	–	–	–	(12,582)	419	–	(12,582)	–	(12,582)
Non-controlling interest arising on business combination	–	–	–	–	–	–	–	–	–	–	–	7,746	7,746
Declared final 2011 dividend	–	–	–	–	–	–	–	–	–	(65,240)	(65,240)	–	(65,240)
At 30 June 2012 (unaudited)	326,349	2,431,853	20,666	620,906	142,987	329,977	(714,286)	1,490,477	5,359,668	–	10,008,597	1,645,984	11,654,581

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**530,878**	571,110
Net cash flows from/(used in) investing activities	**2,096**	(938,933)
Net cash flows from financing activities	**273,518**	224,675
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**806,492**	(143,148)
Cash and cash equivalents at beginning of period	**1,266,470**	2,222,166
Effect of foreign exchange rate changes, net	**62,354**	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,135,316**	2,079,018
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,854,317**	1,908,130
Non-pledged time deposits with original maturity of less than three months when acquired	**88,696**	170,888
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**1,943,013**	2,079,018
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payable	**192,303**	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**2,135,316**	2,079,018

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 were authorised for issue in accordance with a resolution of the board of directors of the Company passed on 30 August 2013.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 1999. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn-based biochemical products. There were no significant changes in the nature of the Group's principal activities during the Period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

As at 30 June 2013, the Group was unable to comply with certain financial covenants of a long term bank loan of RMB200 million (equivalent to HK$250 million) ("1st Loan"), another short term bank loan of RMB200 million (equivalent to HK$250 million) ("2nd Loan"), and another short term bank loan of US$10 million (equivalent to HK$77.5 million) ("3rd Loan"). The breach of covenants of the 1st Loan and the 2nd Loan had triggered cross default of two other short term bank loans (the "4th Loans") in the aggregate principal amount of RMB380 million (equivalent to HK$475 million). All of the 1st Loan, 2nd Loan, 3rd Loan and 4th Loans were classified as short term bank borrowings as at the end of the reporting period. Subsequent to the end of the reporting period, in August 2013, the Group repaid the 1st Loan in full and the related loan agreement had been terminated since then. With respect to the 2nd Loan, the Group obtained a written confirmation from the bank for the relaxation and adjustment of the breached financial covenant. The Directors of the Company considered that as the Group has ceased to be in material breach of the loan agreements related to the 1st Loan and the 2nd Loan, the Group has ceased to be in breach of the cross default provisions of the 4th Loans at the date of this report.

The Directors considered that the Group's inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

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

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *— Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of amendments to HKAS 1, amendments to HKFRS 7, HKFRS 10 and Annual Improvements 2009-2011 Cycle, the adoption of these new and revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The HKAS 1 Amendments introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instrument: Presentation*. The disclosures also apply to recognise financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The amendment affected disclosure only and had no impact on the Group's financial position or performance.

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

Significant accounting policies *(Continued)*

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and HK(SIC)-Int12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. Among which, HKAS 34 clarifies the requirements relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result, the Group now also includes disclosure of total segment assets and segment liabilities as these are reported to the CODM.

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

HKFRS 9	*Financial Instruments*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
(IFRIC)-Int 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 January 2015

The management is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Company considers that these new and revised HKFRSs are unlikely to have a significant impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. Prior to the Period, the Group had two reportable operating segments being the corn refined products segment, which engaged in the manufacture and sale of corn refined products, including corn starch, corn gluten meal and corn oil; and the corn based biochemical products segment, which engaged in the manufacture and sale of corn based biochemical products, including corn sweeteners, polyol chemicals and amino acids. During the Period, in order to cope with the merger of certain subsidiaries engaged in both the corn refined products segment and the corn based biochemical products segment, the following reportable operating segments are adopted by the Group to better allocate resources of the Group and assess performance of the different operating segments:

(a) the amino acids segment engages in the manufacture and sale of corn-based biochemical products, including lysine, threonine and tryptophan;

(b) the polyol chemicals segment engages in the manufacture and sale of corn-based biochemical products, including polyol chemicals, hydrogen and ammonia; and

(c) the corn sweeteners segment engages in the manufacture and sale of corn-based biochemical products, including glucose, maltose and dextrin.

All three operating segments also engage in the manufacture and sale of corn refined products.

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

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

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

On 21 December 2012, Global Sweeteners Holdings Limited ("GSH"), an indirect non-wholly owned subsidiary of the Company, announced the decision of its board of directors to exit its retail beef business. Accordingly, the retail beef business was treated as a discontinued operation and was not included in the segment information.

3. SEGMENT INFORMATION *(Continued)*

(a) Operating segment information

	Amino acids		Polyol chemicals		Corn sweeteners		Eliminations		Consolidated	
	Six months ended 30 June									
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000	**2013 (Unaudited) HK$'000**	2012 (Unaudited) HK$'000	**2013 (Unaudited) HK$'000**	2012 (Unaudited) HK$'000	**2013 (Unaudited) HK$'000**	2012 (Unaudited) HK$'000	**2013 (Unaudited) HK$'000**	2012 (Unaudited) HK$'000 (Restated)
Revenue:										
External customer	**3,109,628**	3,826,693	**181,216**	305,994	**1,760,030**	1,912,921	**–**	–	**5,050,874**	6,045,608
Intersegment	**–**	109,804	**443,600**	441,331	**335,291**	347,825	**(778,891)**	(898,960)	**–**	–
Total revenue	**3,109,628**	3,936,497	**624,816**	747,325	**2,095,321**	2,260,746	**(778,891)**	(898,960)	**5,050,874**	6,045,608
Segment results	**(210,260)**	439,127	**(1,077,894)**	(94,571)	**(59,780)**	14,521	**–**	–	**(1,347,934)**	359,077
Bank interest income									**2,055**	2,764
Gain on exercise of put option									**187,500**	–
Unallocated revenue									**111,308**	54,119
Unallocated expenses									**(129,405)**	(160,437)
Finance costs									**(350,049)**	(296,415)
Loss before tax									**(1,526,525)**	(40,892)
Income tax expense									**(121,246)**	(20,586)
Loss from a discontinued operation									**(2,377)**	(78,268)
Loss for the period									**(1,650,148)**	(139,746)

3. SEGMENT INFORMATION *(Continued)*

(a) Operating segment information *(Continued)*

	Amino acids		Polyol chemicals		Corn sweeteners		Total	
	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
Segment assets	**9,842,078**	9,920,058	**11,018,580**	12,428,883	**5,132,682**	4,524,040	**25,993,340**	26,872,981
Reconciliation:								
Elimination of intersegment receivables							**(4,573,340)**	(5,211,802)
Cash and cash equivalents							**1,943,013**	1,266,470
Pledged deposits							**192,303**	–
Assets related to a discontinued operation							**8,056**	6,685
Total assets							**23,563,372**	22,934,334
Segment liabilities	**5,472,244**	5,406,942	**1,627,647**	2,118,461	**1,636,850**	1,158,577	**8,736,741**	8,683,980
Reconciliation:								
Elimination of intersegment payables							**(4,573,340)**	(5,211,802)
Interest-bearing bank borrowings							**9,606,739**	8,166,579
Corporate and unallocated liabilities							**51,500**	56,239
Liabilities related to a discontinued operation							**1,174**	1,162
Total liabilities							**13,822,814**	11,696,158

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000* (Restated)	**2013 (Unaudited) *HK$'000***	2012 (Unaudited) *HK$'000*	**2013 (Unaudited) *HK$'000***	2012 (Unaudited) *HK$'000* (Restated)
Revenue:						
External customers	**3,813,629**	4,500,267	**1,237,245**	1,545,341	**5,050,874**	6,045,608

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of other income and gain is as follows:

	Note	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
Other income			
Bank interest income		**2,055**	2,764
Sales of scrap and raw materials		**23,004**	22,674
Government grants*		**12,640**	4,815
Others		**3,459**	2,279
		41,158	32,532
Gains			
Gain on exercise of put option	*17*	**187,500**	—
Gain on disposal of prepaid land premium		**54,792**	—
Fair value gains/(losses), net:			
— Derivative financial instruments		**317**	—
— Equity investments at fair value through profit or loss		**738**	—
— Guaranteed bonds		**2,331**	—
— Long term receivables		**14,027**	—
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries		**—**	12,582
Fair value loss of investments in jointly-controlled entities		**—**	(1,710)
Gain on bargain purchase		**—**	13,479
		300,863	56,883

* Government grants represented the rewards for environmental protection, technology innovation and improvement to certain subsidiaries located in Mainland China.

5. FINANCE COSTS

	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Interest on bank loans	**304,393**	291,006
Finance costs for discounted bills receivable	**13,397**	9,830
Interest on guaranteed bonds	**1,418**	23,545
Interest on put option *(note 17)*	**32,991**	48,282
Less: Interest capitalised	**(2,150)**	(76,248)
	350,049	296,415

6. LOSS BEFORE TAX

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

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
Raw materials and consumables used		**4,206,242**	3,793,689
Exchange loss on exercise of put option	*17*	**35,714**	—
Provision for legal expenses		**2,830**	5,998
Depreciation	*11*	**402,941**	305,024
Amortisation of prepaid land premiums and intangible assets		**11,756**	12,855
Fair value losses/(gains), net:			
— Derivative financial instruments		**(317)**	5,891
— Equity investments at fair value through profit or loss		**(738)**	(749)
— Guaranteed bonds		**(2,331)**	7,294
— Long term receivables		**(14,027)**	—
Fair value loss of investments in jointly-controlled entities		**—**	1,710
Impairment/(reversal of impairment) of trade receivables and prepayments, deposits and other receivables	*13*	**(60,577)**	122,600
Impairment of inventories to net realisable value#		**425,371**	63,276
Impairment of property, plant and equipment	*11*	**581,335**	—

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

7. INCOME TAX EXPENSE

	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Current — Hong Kong	**—**	—
Current — Mainland China:		
Income tax	**13,423**	54,769
Withholding tax	**43,750**	—
Deferred		
Income tax	**23,769**	(34,183)
Withholding tax	**40,304**	—
Tax charge for the period	**121,246**	20,586

7. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2013 (2012: 25%).

Changchun Dahe Bio Technology Development Co. Ltd., was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 4 November 2013. It enjoys a preferential income tax rate of 15% from 1 January 2010 onwards.

8. DISCONTINUED OPERATION

On 21 December 2012, GSH announced the decision of its board of directors to exit its retail beef business in order to eliminate the risks brought by quality assurance due to the tightening food safety policy in Mainland China, and to enable the Group to channel its resources to the core corn based business.

The results of the retail beef business for the period are presented below:

	Six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Revenue	**–**	3,107
Cost of sales	**–**	(18,374)
Other income	**–**	3
Selling and distribution expenses	**–**	(480)
Administrative expenses	**(2,377)**	(4,632)
Other expenses	**–**	(57,892)
Loss before tax from the discontinued operation	**(2,377)**	(78,268)
Income tax	**–**	–
Loss for the period from the discontinued operation	**(2,377)**	(78,268)

8. DISCONTINUED OPERATION *(Continued)*

The net cash flows incurred by the discontinued operation are as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating activities	**(17)**	4,662
Investing activities	**–**	(1,298)
Financing activities	**–**	(8,713)
Net cash outflow	**(17)**	(5,349)
Loss per share:		
Basic, from the discontinued operation	**HK(0.04) cents**	HK(1.46) cents
Diluted, from the discontinued operation	**HK(0.04) cents**	HK(1.46) cents

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$(2,377,000)**	HK$(78,268,000)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 10)*	**3,262,868,616**	3,262,246,070
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 10)*	**3,262,868,616**	3,262,246,070

9. DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

The calculation of the basic loss per share for the period ended 30 June 2013 is based on the consolidated loss for the period attributable to owners of the parent and the weighted average number of ordinary shares in issue during the period of 3,262,868,616 (six months ended 30 June 2012: 3,262,246,070).

No adjustment has been made to the basic loss per share amounts for the period ended 30 June 2013 and 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
At 1 January		**13,169,329**	11,638,571
Additions		**210,721**	2,026,632
Acquisition of subsidiaries		**33,706**	28,520
Exchange realignment		**153,836**	133,430
Disposals		**(1,650)**	(8,381)
Depreciation	*6*	**(402,941)**	(641,194)
Impairment	*6*	**(581,335)**	(8,249)
At 30 June 2013/31 December 2012		**12,581,666**	13,169,329

Impairment testing of property, plant and equipment

The recoverable amount of each cash-generating unit ("CGU") has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2012: 13%). Growth at the general inflation rate of 3% has been projected beyond the five-year period.

Key assumptions were used in the value in use calculation of each CGU for 30 June 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of property, plant and equipment:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget period for local markets from which the raw materials are sourced.

The values assigned to the key assumptions on market development of the CGUs, discount rates and raw materials price inflation are consistent with external information sources.

Among the CGUs, the recoverable amount of the hydrogen plant CGU and polyol CGU were less than their net book value, and an impairment loss amounted to HK$581,335,000 (2012: Nil) was noted and recognised during the current period. The hydrogen plant CGU and polyol CGU are engaged in the manufacture and sale of hydrogen and ammonia, and polyol chemicals, respectively, and they all belong to the polyol chemicals segment.

12. INVENTORIES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Raw materials	**2,509,384**	2,436,006
Finished goods	**1,665,281**	1,209,274
	4,174,665	3,645,280

As at 30 June 2013, certain inventories were written down to net realisable value which amounted to approximately HK$1,972,220,000 (31 December 2012: HK$502,051,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Trade receivables	**1,433,540**	1,691,526
Bills receivable	**312,060**	288,330
Impairment	**(173,918)**	(234,495)
	1,571,682	1,745,361
Classified		
Non current portion	**–**	(168,090)
Current portion	**1,571,682**	1,577,271

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days were allowed to some major customers with a long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

During the year ended 31 December 2012, the Group entered into settlement agreements with certain debtors to restructure the payment terms of the outstanding balances due by the Group. Accordingly, these balances were stated at amortised cost based on the revised payment terms and classified to non-current assets.

13. TRADE AND BILLS RECEIVABLES *(Continued)*

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Within 1 month	**485,604**	548,623
1 to 2 months	**281,857**	371,329
2 to 3 months	**113,008**	171,773
3 to 6 months	**293,431**	132,323
Over 6 months	**397,782**	521,313
Total	**1,571,682**	1,745,361

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

	2013 (Unaudited) *HK$'000*	2012 (Audited) *HK$'000*
At 1 January	**234,495**	55,494
Impairment losses recognised	**227**	186,116
Impairment losses reversed	**(64,104)**	(7,800)
Exchange realignment	**3,300**	685
At 30 June 2013/31 December 2012	**173,918**	234,495

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Neither past due nor impaired	**880,469**	1,091,725
Less than 1 month past due	**109,357**	64,407
1 to 3 months past due	**184,074**	338,362
Over 3 months past due	**397,782**	250,867
Total	**1,571,682**	1,745,361

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

14. TRADE AND BILLS PAYABLES

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Trade payables	1,857,451	1,300,917
Bills payable	781,875*	—
Total	2,639,326	1,300,917

* At 30 June 2013, cash amounting to HK$192,303,000 was pledged as deposit for issued bills payable according to the agreement between the Group and the banks.

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, except for the purchase of corn kernels from farmers, which are normally settled on a cash basis. The carrying amounts of trade payables approximate to their fair values.

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Within 1 month	1,121,137	708,567
1 to 2 months	641,917	265,611
2 to 3 months	186,368	153,070
Over 3 months	689,904	173,669
Total	2,639,326	1,300,917

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2013			31 December 2012		
	Effective annual interest rate %	**Maturity**	**(Unaudited) *HK$'000***	Effective annual interest rate %	Maturity	(Audited) *HK$'000*
Current						
Bank loans – unsecured	**3.152-8.000/ LIBOR+4/ HIBOR+2/ Higher (Hibor+3.3%, bank funding cost+1.5%)**	**On demand/ 2013-2014**	**3,515,411**	6.06-7.315/ HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (Hiber+3.3%, bank funding cost+1.5%)/ HIBOR+1	On demand/ 2013	2,984,990
Long term bank loans repayable on demand – unsecured	**HIBOR+1.5/ 7.07**	**On demand**	**285,263**	7.87/ HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (Hiber+3.3%, bank funding cost+1.5%)/ HIBOR+1	On demand	418,601
Other loans – unsecured	**8.00**	**2014**	**625,000**	–	–	–
			4,425,674			3,403,591
Non-current						
Bank loans – unsecured	**3.735-7.315**	**2014-2020**	**5,170,602**	6.40-7.315	2013-2020	4,752,655
Other loans – unsecured	**4.03**	**2018-2019**	**10,463**	4.03	2018-2019	10,333
			5,181,065			4,762,988
			9,606,739			8,166,579

At 30 June 2013, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with amounts of approximately HK$7,565,163,000 (31 December 2012: HK$6,869,671,000) and approximately HK$1,903,614,000 (31 December 2012: HK$1,209,074,000), respectively.

As referred to note 2 to the interim financial statements, as at 30 June 2013, certain subsidiaries of the Group were unable to comply with certain of the financial covenants of interest-bearing bank loans.

16. GUARANTEED BONDS

On 16 May 2011, the Company issued fixed rate guaranteed bonds in an aggregate amount of RMB450 million. The guaranteed bonds bear fixed interest at 7% per annum and will be fully repayable on 16 May 2014. The guaranteed bonds are listed on the SGX-ST and guaranteed by the subsidiaries of the Company, other than any subsidiaries of the Company established under the law of the PRC, Global Sweeteners Holdings Limited ("GSH"), Global Bio-chem Technology Americas Inc. and any of their respective subsidiaries. The guaranteed bonds were a financial liability as defined under HKAS 39 and were measured at fair value.

On 8 November 2012, the Company proposed certain amendments to the terms and conditions of the guaranteed bonds and sought the waiver of the rights of the holders of the guaranteed bonds and The Hongkong and Shanghai Banking Corporation Limited, as trustee of the guaranteed bonds, in respect of all breaches and events of defaults arising under conditions and the trust deed from a breach or non-compliance with the provisions of financial covenants of the guaranteed bonds. On 11 December 2012, the Company announced that guaranteed bonds in the aggregate principal amount of RMB414,600,000 had been purchased by the Company. The principal aggregate amount of the outstanding guaranteed bonds amounted to RMB35,400,000 as at 30 June 2013 (31 December 2012: RMB35,400,000).

17. PUT OPTION

On 20 May 2011, China Bio-chem Group Limited ("China Bio-Chem Group"), China Bio-chem Investments Limited ("China Bio-Chem Investments") and Changchun Dacheng Bio-tech Development Co., Ltd. ("Dacheng Bio-tech"), all being wholly-owned subsidiaries of the Company, entered into a capital increase agreement (the "Agreement") with an investor, pursuant to which the investor agreed to make capital contributions in the aggregate amount of RMB600 million in cash to the registered capital of Dacheng Bio-Tech.

Pursuant to the Agreement, China Bio-Chem Investments has agreed to grant to the investor a put option in respect of the right to request China Bio-Chem Investments to acquire from the investor all (but not part) of the investor's interests in the registered capital of Dacheng Bio-Tech then held by the investor, for cash at the consideration representing 125% of the amount of the registered capital of Dacheng Bio-Tech to be so acquired.

The put option was a financial liability as defined under HKAS 39 and was carried in the statement of financial position at amortised cost in accordance with HKAS 39.

On 2 May 2013, China Bio-Chem Investments was notified by the investor in writing to exercise the put option pursuant to the Agreement, requiring China Bio-Chem Investments to purchase all of the investor's equity interest in Dacheng Bio-Tech, i.e., 29.04% of the entire registered capital of Dacheng Bio-Tech. In the exercise notice, the investor has conditionally agreed to reduce the consideration to RMB600 million instead of RMB750 million, and irrevocably waive its rights and claims in respect of the balance of RMB150 million. Upon the date of completion of exercise of the put option, i.e., 23 May 2013, Dacheng Bio-Tech has become a wholly-owned subsidiary of the Company.

According to HKAS 39, the difference of HK$187.5 million (equivalent to RMB150 million) between the carrying amount of financial liability and the consideration paid was recognised in profit or loss.

17. PUT OPTION *(Continued)*

Change in carrying value of the put option during the period is set out as follows:

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Financial liabilities:			
At 1 January		**868,795**	769,480
Amortisation provided during the period/year	5	**32,991**	99,315
Exchange loss on exercise of put option	6	**35,714**	—
Gain on exercise of put option	4	**(187,500)**	—
Cash consideration		**(750,000)**	—
At 30 June 2013/31 December 2012		**—**	868,795

18. ISSUED CAPITAL

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Authorised: 10,000,000,000 (31 December 2012: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid: 3,263,489,164 (31 December 2012: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

19. CONTINGENT LIABILITIES

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

At 30 June 2013, the banking facilities granted to the Company's subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$7,565,163,000 (31 December 2012: HK$6,869,671,000).

20. COMMITMENTS

At 30 June 2013, the Group had capital commitments as follows:

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**751,202**	610,117
Plant and machinery	**502,201**	466,140
	1,253,403	1,076,257

The Company did not have any other significant commitments as at 30 June 2013.

21. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		Six months ended 30 June	
	Notes	**2013 *HK$'000* (Unaudited)**	2012 *HK$'000* (Unaudited)
Sale of equipment to an associate	*(i)*	**75**	—
Sale of electricity and water to an associate	*(i)*	**282**	—
Purchase of corn starch from an associate	*(ii)*	**51,400**	—

(i) The transactions with Changchun Dacheng Hexin Technology Development Co., Ltd., an associate of the Group, were made at prices mutually agreed between the parties.

(ii) The transactions with Harbin Dacheng Bio Technology Co., Ltd. ("Harbin Dacheng"), an associate of the Group, were made at prices mutually agreed between the parties.

The Group's subsidiaries have guaranteed certain bank loans of HK$315,000,000 (31 December 2012: HK$246,914,000) made to Harbin Dacheng, an associate of the Group as at the end of the reporting period.

21. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Due from associates	**250,120**	134,984

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

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Short term employee benefits	**10,156**	14,158
Post-employment benefits	**15**	14
Total compensation paid to key management personnel	**10,171**	14,172

22. FAIR VALUE

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
Financial assets				
Trade and bills receivables	**1,571,682**	1,745,361	**1,571,682**	1,745,361
Financial assets included in prepayments, deposits and other receivables	**450,325**	422,542	**450,325**	422,542
Due from associates	**250,120**	134,984	**250,120**	134,984
Pledged deposits	**192,303**	—	**192,303**	—
Cash and cash equivalents	**1,943,013**	1,266,470	**1,943,013**	1,266,470
Equity investment at fair value through profit or loss	**34,457**	34,079	**34,457**	34,079
	4,441,900	3,603,436	**4,441,900**	3,603,436

	Carrying amounts		Fair values	
	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
Financial liabilities				
Trade and bills payables	**2,639,326**	1,300,917	**2,639,327**	1,300,917
Financial liabilities included in other payables and accruals	**620,690**	674,849	**620,690**	674,849
Interest-bearing bank and other borrowings	**9,606,739**	8,166,579	**9,606,739**	8,166,579
Guaranteed bonds	**42,291**	44,076	**42,291**	44,076
Put option	**—**	868,795	**—**	868,795
Derivative financial instruments	**8,036**	8,353	**8,036**	8,353
	12,917,082	11,063,569	**12,917,083**	11,063,569

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

22. FAIR VALUE *(Continued)*

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, due from associates, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings, equity investments at fair value through profit or loss, guaranteed bonds, a put option and derivative financial instruments have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

23. COMPARATIVE AMOUNTS

The comparative condensed consolidated statement of comprehensive income has been re-presented as if the operation discontinued during the second half of year 2012 had been discontinued at the beginning of the comparative period (note 8).