GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00809)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of Global Bio-chem Technology Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Year"), together with the comparative figures in the previous year as follows:

	2013	2012	Decrease
Revenue (HK$'Mn)	**9,687**	11,908	19%
Gross profit/(loss) (HK$'Mn)	**(901)**	1,532	159%
Loss for the year from a discontinued operation (HK$'Mn)	**(5)**	(120)	N/A
Net loss for the year from continuing operations (HK$'Mn)	**(6,237)**	(564)	N/A
Net loss attributable to owners of the parent (HK$'Mn)	**(6,081)**	(555)	N/A
Basic loss per share (HK cents)	**(186.0)**	(17.0)	N/A
Proposed final dividend per share (HK cents)	—	—	N/A

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**9,686,643**	11,908,082
Cost of sales		**(10,587,530)**	(10,376,091)
Gross profit/(loss)		**(900,887)**	1,531,991
Other income and gains	4	**588,049**	107,237
Selling and distribution expenses		**(762,459)**	(770,380)
Administrative expenses		**(717,477)**	(458,799)
Other expenses	5	**(3,520,221)**	(367,371)
Finance costs	6	**(673,399)**	(585,295)
Share of losses of joint ventures		**—**	(1,324)
Share of losses of associates		**(27,899)**	(9,346)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	**(6,014,293)**	(553,287)
Income tax expense	7	**(222,584)**	(11,062)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(6,236,877)**	(564,349)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	**(5,397)**	(119,819)
LOSS FOR THE YEAR		**(6,242,274)**	(684,168)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**293,667**	134,342
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Loss on property revaluation		**(266,072)**	—
Income tax effect		**69,745**	—
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(196,327)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**97,340**	134,342
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,144,934)**	(549,826)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

Year ended 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Loss attributable to:			
Owners of the parent		**(6,081,097)**	(554,508)
Non-controlling interests		**(161,177)**	(129,660)
		(6,242,274)	(684,168)
Total comprehensive loss attributable to:			
Owners of the parent		**(6,003,018)**	(438,659)
Non-controlling interests		**(141,916)**	(111,167)
		(6,144,934)	(549,826)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the year	*10*	**HK$(1.86)**	HK$(0.17)
— For loss from continuing operations		**HK$(1.86)**	HK$(0.15)
Diluted			
— For loss for the year	*10*	**HK$(1.86)**	HK$(0.17)
— For loss from continuing operations		**HK$(1.86)**	HK$(0.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,527,647**	13,169,329
Prepaid land lease payments		**812,925**	687,193
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**8,904**	399,807
Goodwill		**344,553**	348,428
Intangible assets		**5,434**	29,079
Deferred tax assets		**25,153**	91,113
Investments in associates		**—**	85,947
Trade receivables — non current		**—**	168,090
Total non-current assets		**10,724,616**	14,978,986
CURRENT ASSETS			
Non-current assets held for sale		**759,480**	—
Inventories	*11*	**3,341,568**	3,645,280
Trade and bills receivables	*12*	**1,419,257**	1,577,271
Prepayments, deposits and other receivables		**952,114**	1,288,184
Due from associates		**31,110**	134,984
Equity investments at fair value through profit or loss		**93,581**	34,079
Tax recoverable		**—**	9,080
Derivative financial instruments		**19,021**	—
Pledged deposits	*13*	**133,996**	—
Cash and cash equivalents	*13*	**1,309,997**	1,266,470
Total current assets		**8,060,124**	7,955,348
CURRENT LIABILITIES			
Trade and bills payables	*14*	**2,225,258**	1,300,917
Other payables and accruals		**1,063,113**	915,405
Interest-bearing bank borrowings		**4,954,609**	3,403,591
Guarantee bonds		**44,483**	—
Put option		**—**	868,795
Tax payable		**164,145**	90,823
Total current liabilities		**8,451,608**	6,579,531
NET CURRENT ASSETS/(LIABILITIES)		**(391,484)**	1,375,817
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,333,132**	16,354,803

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**4,798,173**	4,762,988
Guaranteed bonds		—	44,076
Derivative financial instruments		—	8,353
Deferred tax liabilities		**230,304**	268,118
Deferred income		**209,747**	33,092
Total non-current liabilities		**5,238,224**	5,116,627
Net assets		**5,094,908**	11,238,176
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*15*	**326,349**	326,349
Reserves		**3,926,289**	9,343,820
Proposed final dividend	*9*	—	—
		4,252,638	9,670,169
Non-controlling interests		**842,270**	1,568,007
Total equity		**5,094,908**	11,238,176

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. The Group was involved in the manufacture and sale of corn refined products and corn based biochemical products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for guaranteed bonds, derivative financial instruments, equity investments, available-for-sale investment and certain property, plant and equipment with periodic remeasurement at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$").

The Group recorded a consolidated net loss of HK$6,242 million (2012: HK$684 million) for the year ended 31 December 2013 and as at that date, the Group recorded net current liabilities of HK$391 million (31 December 2012: net current assets of HK$1,376 million). These factors indicate the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern. In view of these circumstances, the directors of the Company have taken the following steps to improve the Group's liquidity and solvency position.

(1) Active negotiations with banks to obtain adequate bank borrowings to finance the Group's operations

The management of the Company has been actively negotiating with its principle banks in the PRC to secure the renewals the Group's short term bank loans and long term bank loans when due to meet its liabilities when fall due.

(2) Active negotiations with the local government to confirm the relocation compensation

Pursuant to the Company's recent announcements dated 7 January 2014 and 13 January 2014 in relation to the resumption of land, buildings, machineries and fixtures erected on a piece of land located in Changchun, the PRC, the directors of the Company have been actively negotiating with the relevant government body, being the Changchun Land Reserve Centre, to agree on the respective compensation. Up to the date of this announcement, mutual agreements or consensus have been reached by the parties on the first stage relocation whereby compensation in cash will be settled as follows: (i) HK$256 million upon the resumption of the parcel of land; and (ii) HK$1,020 million, upon the disposal of the related building and fixtures. During the year ended 31 December 2013 and subsequent to that date, the Group received cash settlements of HK$256 million and HK$260 million, respectively.

The management expects the remaining compensation of approximately HK$760 million will be received from the government by the end of year 2014.

2.1 BASIS OF PREPARATION *(Continued)*

(3) Improvement of the Group's operating cash flows

The Group is taking measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. Subsequent to 31 December 2013, the Group announced that it will scale down certain of its amino acids production and suspend the production of polyol chemicals in order to minimize operating cash outflow.

Based on the management estimation of the future cash flows of the Group, after taking into account (i) the successful renewals of the Group's existing bank borrowings; (ii) the receipt of the compensation from the local government in relation to the resumption buildings, machineries and fixtures erected on the piece of land and (iii) the measures of the operating level aiming to minimize the Group's cash outflows, the directors are of the opinion that the Group is able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *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 13	*Fair Value Measurement*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
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*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
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 HKFRS 10, HKFRS 12, HKFRS 13, HKAS 1 Amendments, HKFRS 7 Amendments, HKAS 36 Amendments and certain amendments included in Annual Improvements 2009-2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(d) The HKAS 1 Amendments change the 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 (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(e) 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. The disclosures also apply to recognised 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.

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(g) Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferred Accounts*[4]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in December 2013[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. Prior to the Year, the Group used to have 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 Year, in order to cope with the merger of certain subsidiaries engaged in activities of 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 segments also engage in the manufacture and sale of corn refined products.

The management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, government grants, fair value gains/losses from the Group's financial instruments and corporate expenses are excluded from such measurement.

Segment assets exclude goodwill, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	Amino acids		Polyol chemicals		Corn sweeteners		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue:										
External customer	**5,633,768**	7,611,272	**363,735**	460,533	**3,689,140**	3,836,278	**—**	—	**9,686,643**	11,908,082
Intersegment	**—**	198,205	**632,408**	827,412	**510,879**	683,868	**(1,143,287)**	(1,709,485)	**—**	—
Total revenue	**5,633,768**	7,809,477	**996,143**	1,287,945	**4,200,019**	4,520,146	**(1,143,287)**	(1,709,485)	**9,686,643**	11,908,082
Segment results	**(1,275,146)**	338,016	**(3,868,004)**	(276,665)	**(206,578)**	18,567	**—**	—	**(5,349,728)**	79,918
Bank interest income									**4,384**	5,716
Unallocated revenue									**28,153**	55
Unallocated expenses									**(23,703)**	(53,681)
Finance costs									**(673,399)**	(585,295)
Loss before tax									**(6,014,293)**	(553,287)
Income tax expense									**(222,584)**	(11,062)
Loss from a discontinued operation									**(5,397)**	(119,819)
Loss for the year									**(6,242,274)**	(684,168)

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Amino acids		Polyol chemicals		Corn sweeteners		Total	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012	**31 December 2013**	31 December 2012	**31 December 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**13,130,435**	9,920,058	**4,476,520***	12,428,883	**3,952,139***	4,524,040	**21,559,094**	26,872,981
Reconciliation:								
Elimination of intersegment receivables							**(4,244,055)**	(5,211,802)
Cash and cash equivalents							**1,309,997**	1,266,470
Pledged deposits							**133,996**	—
Corporate and other unallocated assets							**19,377**	—
Assets related to a discontinued operation							**6,331**	6,685
Total assets							**18,784,740**	22,934,334
Segment liabilities	**2,185,108**	5,406,942	**4,735,544**	2,118,461	**1,202,588**	1,158,577	**8,123,240**	8,683,980
Reconciliation:								
Elimination of intersegment payables							**(4,244,055)**	(5,211,802)
Interest-bearing bank borrowings							**9,752,782**	8,166,579
Corporate and unallocated liabilities							**56,676**	56,239
Liabilities related to a discontinued operation							**1,189**	1,162
Total liabilities							**13,689,832**	11,696,158

* Included in polyol chemicals segment and corn sweeteners segment were non-current assets held for sale amounting to HK$753,980,000 and HK$5,500,000, respectively, reclassified from property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Amino acids		Polyol chemicals		Corn sweeteners		Total	
	31 December 2013 HK$'000	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000
Other segment information:								
Capital expenditure*	**212,951**	439,713	**132,451**	1,509,490	**97,493**	159,897	**442,895**	2,109,100
Depreciation	**374,811**	321,140	**297,848**	177,091	**146,198**	142,088	**818,857**	640,319
Amortisation of prepaid land lease payments	**11,588**	11,181	**4,735**	4,635	**7,664**	7,471	**23,987**	23,287
Gain on exercise of a put option by non-controlling interests	**—**	—	**187,500**	—	**—**	—	**187,500**	—
Gain on disposal of land	**55,485**	—	**—**	—	**—**	—	**55,485**	—
Gain on land compensation	**46,981**	—	**120,537**	—	**18,780**	—	**186,298**	—
Impairment of property, plant and equipment	**90,673**	—	**3,104,664**	—	**—**	—	**3,195,337**	—
Impairment on goodwill	**—**	—	**3,875**	—	**—**	—	**3,875**	—
Impairment of intangible assets	**—**	—	**21,342**	—	**—**	—	**21,342**	—
Impairment of deferred tax assets	**—**	—	**51,628**	—	**—**	—	**51,628**	—
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	**34,193**	—	**142,492**	—	**—**	—	**176,685**	—
Share of losses of associates	**27,899**	9,346	**—**	—	**—**	—	**27,899**	9,346
Provision/(write-back) for impairment of trade receivables	**(33,150)**	59,549	**(38,045)**	49,422	**(5,725)**	10,764	**(76,920)**	119,735
Amortisation of long term receivables	**—**	2,681	**—**	27,090	**—**	826	**—**	30,597
Gain on fair value change on long term receivables	**—**	—	**20,840**	—	**—**	—	**20,840**	—
Share of losses of joint ventures	**—**	—	**—**	—	**—**	1,324	**—**	1,324
Write-down/(write-back) of inventories to net realisable value	**220,761**	(14,827)	**359,044**	119,839	**46,241**	955	**626,046**	105,967
Write-off of other receivables	**—**	—	**—**	—	**12,415**	13,356	**12,415**	13,356

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, and other intangible assets, including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**7,159,316**	8,896,156
Regions other than Mainland China	**2,527,327**	3,011,926
	9,686,643	11,908,082

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**10,330,515**	14,514,543
Regions other than Mainland China	**368,948**	373,330
	10,699,463	14,887,873

The non-current asset information of continuing operations above is based on the locations of assets and excludes deferred tax assets.

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 revenue, other income and gains from continuing operations is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**9,686,643**	11,908,082
Other income		
Bank interest income	**4,384**	5,716
Net profit arising from the sale of packing materials and by-products	**38,998**	49,053
Government grants*	**39,554**	19,863
Others	**9,127**	7,738
	92,063	82,370
Gains		
Gain on disposal of items of property, plant and equipment	**13,603**	516
Gain on disposal of prepaid land premiums	**55,485**	—
Gain on bargain purchase	**1,215**	13,479
Gain on exercise of a put option by non-controlled interests	**187,500**	—
Gain on resumption of land	**186,298**	—
Fair value change in long term receivables	**20,840**	—
Fair value gains/(losses), net:		
— Derivative financial instruments	**27,374**	—
— Equity investments at fair value through profit or loss	**1,483**	—
— Guaranteed bonds	**699**	—
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	**—**	12,582
Exchange differences reclassified from reserves when the associate became a subsidiary	**1,489**	—
Fair value loss of investments in joint ventures	**—**	(1,710)
	495,986	24,867
	588,049	107,237

* Government grants in 2013 represented the rewards to certain subsidiaries located in Mainland China for environmental protection, technology innovation and improvement and compensation for use of land owned by these subsidiaries.

5. LOSS BEFORE TAX

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**7,550,653**	7,607,610
Depreciation	**818,857**	640,319
Amortisation of prepaid land lease payments	**23,987**	23,287
Auditors' remuneration	**4,800**	4,500
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**246,331**	195,748
Pension scheme contributions	**91,424**	44,173
	337,755	239,921
Other expenses:		
Exchange loss on exercise of a put option by non-controlling interests	**35,714**	—
Impairment of property, plant and equipment	**3,195,337**	—
Impairment of intangible assets	**21,342**	—
Impairment of goodwill	**3,875**	—
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	**176,685**	—
Impairment of prepayments, deposits and other receivables	**12,415**	—
Fair value losses of investments in associates	**44,547**	—
Research and development costs	**14,242**	119,286
Provision/(write-back) for impairment of trade receivables	**(76,920)**	119,735
Amortisation for long term receivables	**—**	30,597
Under-provision of other taxes and penalty for prior years	**—**	36,405
Fair value (gains)/losses, net:		
— Derivative financial instruments	**—**	(616)
— Equity investments at fair value through profit or loss	**—**	(1,486)
— Guaranteed bonds	**—**	21,470
Others	**17,431**	19,914
Foreign exchange difference, net	**75,553**	22,066
	3,520,221	367,371

5. LOSS BEFORE TAX *(Continued)*

	Group 2013	2012
	HK$'000	*HK$'000*
Share of losses of joint ventures	**—**	1,324
Write-down of inventories to net realisable value#	**626,046**	105,967
Amortisation of deferred income	**(8,637)**	(3,619)
Amortisation of intangible assets	**3,059**	3,258
Share of losses of associates	**27,899**	9,346
Fair value (gains)/losses, net:		
— Derivative financial instruments	**(27,374)**	—
— Equity investments at fair value through profit or loss	**(1,483)**	—
— Guaranteed bonds	**(699)**	—
— Long term receivables	**(20,840)**	—
— Investments in joint ventures	**—**	1,710
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	**—**	(12,582)
Exchange differences reclassified from reserves when the associate became subsidiary	**(1,489)**	—
Gain on bargain purchase*	**1,215**	13,479

Included in "Cost of sales" in the consolidated statement of profit or loss

* Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of profit or loss

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group 2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**604,445**	432,949
Interest on bank loans not wholly repayable within five years	**32,135**	164,412
Finance costs for discounted bills receivable	**3,582**	8,576
Interest on guaranteed bonds	**2,985**	49,392
Interest on a put option	**32,991**	99,315
	676,138	754,644
Less: Interest capitalised	**(2,739)**	(169,349)
	673,399	585,295

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current – Hong Kong	**—**	—
Current – Mainland China	**88,277**	66,120
Current – Others	**53,153**	—
Deferred	**81,154**	(55,058)
Total tax charge for the year	**222,584**	11,062

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2013	**Hong Kong**		**Mainland China**		**Others**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Loss before tax from continuing operations	**(15,987)**		**(5,864,609)**		**(133,697)**		**(6,014,293)**	
Tax at the statutory rate	**(2,638)**	**16.5**	**(1,465,859)**	**25.0**	**(41,446)**	**31.0**	**(1,509,943)**	**25.1**
Preferential tax rate offered	**—**	**—**	**85,363**	**(1.5)**	**—**	**—**	**85,363**	**(1.4)**
Income not subject to tax	**(148)**	**0.9**	**15,697**	**(0.3)**	**—**	**—**	**15,549**	**(0.3)**
Tax losses not recognised	**2,279**	**(14.3)**	**1,437,825**	**(24.5)**	**41,460**	**(31.0)**	**1,481,564**	**(24.6)**
Expenses not deductible for tax	**507**	**(3.1)**	**98,834**	**(1.7)**	**21,376**	**(16.0)**	**120,717**	**(2.0)**
Adjustments in respect of current tax of previous periods	**—**	**—**	**(1,830)**	**—**	**—**	**—**	**(1,830)**	**—**
Tax losses utilised from previous periods	**—**	**—**	**(599)**	**—**	**—**	**—**	**(599)**	**—**
Tax provision for deemed income	**—**	**—**	**—**	**—**	**31,763**	**(23.8)**	**31,763**	**(0.5)**
Tax charge at the Group's effective rate	**—**	**—**	**169,431**	**(3.0)**	**53,153**	**(39.8)**	**222,584**	**(3.7)**

7. **INCOME TAX** *(Continued)*

Group – 2012	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax from continuing operations	(111,445)		(441,842)		(553,287)	
Tax at the statutory rate	(18,388)	16.5	(110,461)	25.0	(128,849)	23.3
Preferential tax rate offered	—	—	(20,660)	4.7	(20,660)	3.7
Income not subject to tax	(4,641)	4.2	(1,788)	0.4	(6,429)	1.2
Tax losses not recognised	22,820	(20.5)	143,394	(32.5)	166,214	(30.0)
Expenses not deductible for tax	1,597	(1.4)	8,418	(1.9)	10,015	(1.8)
Adjustments in respect of current tax of previous periods	—	—	1,219	(0.3)	1,219	(0.2)
Tax losses utilised from previous periods	(1,388)	1.2	(7,600)	1.7	(8,988)	1.6
Tax credit of corporate income tax for purchase of domestic equipment	—	—	(1,460)	0.4	(1,460)	0.2
Tax charge at the Group's effective rate	—	—	11,062	(2.5)	11,062	(2.0)

Except for the subsidiary as stated below, the statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (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 23 May 2016. It enjoyed a preferential income tax rate of 15% from 1 January 2010 onwards.

During the year, tax charge was recognised for the subsidiary of the Group incorporated in Germany which was subject to statutory income tax rate of 15%, trade tax on income of 15.93% and solidarity surcharge representing 5.5% of the corporate income tax. The effective rate for the different income taxes charged in Germany was accordingly calculated at 31%.

8. DISCONTINUED OPERATION

On 21 December 2012, Global Sweeteners Holdings Limited, a non-wholly owned subsidiary of the Company, announced the decision of its board of directors to exit its retail beef business in order to eliminate the risks of quality assurance in view of the tightening food safety policy in Mainland China and enable it to channel its resources to the core corn based business.

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

	2013	2012
	HK$'000	*HK$'000*
Revenue	**—**	4,968
Cost of sales	**—**	(5,193)
Other revenue	**37**	3
Selling and distribution expenses	**—**	(486)
Administrative expenses	**(3,889)**	(8,731)
Other expenses	**(1,545)**	(110,380)
Loss before tax from the discontinued operation	**(5,397)**	(119,819)
Income tax	**—**	—
Loss for the year from the discontinued operation	**(5,397)**	(119,819)

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

	2013	2012
	HK$'000	*HK$'000*
Operating activities	**48**	(6,531)
Investing activities	**—**	(7)
Financing activities	**—**	1,270
Net cash inflow/(outflow)	**48**	(5,268)
Loss per share:		
Basic, from the discontinued operation	**HK(0.10) cents**	HK(2.23) cents
Diluted, from the discontinued operation	**HK(0.10) cents**	HK(2.23) cents

8. DISCONTINUED OPERATION *(Continued)*

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

	2013	2012
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$(3,281,000)**	HK$(72,850,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,262,868,616**	3,262,868,616
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,262,868,616**	3,262,868,616

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the Year ended 31 December 2013 (2012: Nil).

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

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,262,868,616 (2012: 3,262,868,616) in issue during the Year.

During the years ended 31 December 2013 and 2012, as anti-dilutive effect is resulted following the losses sustained by the Group, no adjustment has been made to the calculation of the dilutive loss per share.

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation		
From continuing operations	**(6,077,816)**	(481,658)
From a discontinued operation	**(3,281)**	(72,850)
	(6,081,097)	(554,508)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**3,262,868,616**	3,262,868,616

11. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**2,139,083**	2,436,006
Finished goods	**1,202,485**	1,209,274
	3,341,568	3,645,280

As at 31 December 2013, certain inventories were written down to net realisable value which amounted to approximately HK$3,063,857,000 (31 December 2012: HK$502,051,000).

12. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**1,281,622**	1,691,526
Bills receivable	**294,355**	288,330
Impairment	**(156,720)**	(234,495)
	1,419,257	1,745,361
Classified:		
Non current portion	—	168,090
Current portion	**1,419,257**	1,577,271

The Group normally allows credit terms of 90 days to established customers. 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, 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.

12. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**495,674**	548,623
1 to 2 months	**229,018**	371,329
2 to 3 months	**71,760**	171,773
3 to 6 months	**283,502**	132,323
Over 6 months	**339,303**	521,313
	1,419,257	1,745,361

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**234,495**	55,494
Impairment losses recognised	**11,177**	186,116
Impairment losses reversed	**(88,097)**	(7,800)
Amount written off as uncollectible	**(7,018)**	—
Exchange realignment	**6,163**	685
	156,720	234,495

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$156,720,000 (2012: HK$234,495,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**796,452**	1,091,725
Less than 1 month past due	**90,957**	64,407
1 to 3 months past due	**266,408**	338,362
Over 3 months past due	**265,440**	250,867
	1,419,257	1,745,361

12. TRADE AND BILLS RECEIVABLES *(continued)*

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 of the Company 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.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the “Endorsed Bills”) with a carrying amount of RMB16,850,000 (equivalent to HK$21,329,000) (2012: RMB42,130,000, equivalent to HK$52,012,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was nil (2012: Nil) as at 31 December 2013.

Transferred financial assets that are derecognised in their entirety

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB574,489,000 (equivalent to HK$727,201,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2013, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

As at 31 December 2013, trade receivables or bills receivable of HK$105,091,000 (2012: Nil) were pledged to secure bank loans.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**1,222,830**	1,238,182	**133,259**	142,546
Time deposits	**221,163**	28,288	**—**	28,288
	1,443,993	1,266,470	**133,259**	170,834
Less: Pledged for issuance of bills payable	**133,996**	—	**—**	—
Cash and cash equivalents	**1,309,997**	1,266,470	**133,259**	170,834

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$829,805,000 (31 December 2012: HK$686,826,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE AND BILLS PAYABLES

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**926,593**	708,567
1 to 2 months	**284,239**	265,611
2 to 3 months	**70,747**	153,070
Over 3 months	**943,679**	173,669
	2,225,258	1,300,917

The trade payables are non-interest-bearing and normally settled on terms of 30 to 90 days.

15. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (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 (2012: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

A summary of the transactions in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 31 December 2011 and 1 January 2012	3,261,989,164	326,199	2,717,353	3,043,552
Share options exercised	1,500,000	150	2,235	2,385
At 31 December 2012	3,263,489,164	326,349	2,719,588	3,045,937
At 31 December 2012 and 1 January 2013	3,263,489,164	326,349	2,719,588	3,045,937
Share options exercised	—	—	—	—
At 31 December 2013	3,263,489,164	326,349	2,719,588	3,045,937

During the year ended 31 December 2012, the subscription rights attaching to 1,500,000 shares options were exercised at a subscription price of HK$1.24 per share, resulting in the issue of 1,500,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$1,860,000. An amount of HK$525,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options. There was no share option exercised during the year ended 31 December 2013.

16. LITIGATIONS

Since 2006, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") have been involved in litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members. Final judgments by the courts confirmed that the Relevant Group Members had infringed certain patents of the Plaintiffs. Relevant Group Members were forbidden to sell the infringed products in the Netherlands subsequent to the judgment.

In October 2013, a writ was served by the Plaintiffs on the Relevant Group Members in the Netherlands in respect of the Relevant Group Members' violation of the injunction as it was found that the Relevant Group Members continued to sell infringed products in the Netherlands.

Subsequent to the reporting date, by its judgment of 17 February 2014 (and the corrective judgment on 10 March 2014), the court confirmed the allegation against the Relevant Group Members. During the Year, partial payment was made subsequent to the filing of the writs, pursuant to a request from the Plaintiffs. The Directors, after having sought legal advice and based on latest available information which includes a calculation method of the penalty as set out in the relevant judgment and the prior request for (partial) payment by the Plaintiffs, made a provision for the remaining penalty, which the management consider to be a fair estimate of the penalty payable under the judgment subject to other methods of calculation of penalty not being applied or applicable, as to which the Company's external legal advices are unable to advise in definitive terms at this stage. The Group is currently seeking legal advice in relation to the above judgment, which may include an application for clarification of the judgment.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company:

Basis for Qualified Opinion

As explained in note 44 to the financial statements (also note 16 to the announcement of the final results), the Company and certain subsidiaries of the Group were involved in litigations relating to certain infringed patents. Subsequent to the reporting date, a judgment was concluded by the court that the Company and these subsidiaries were in violation of an injunction and a penalty was imposed. We have been unable to obtain sufficient appropriate evidence to determine whether adequate provision has been made for the penalty as at 31 December 2013 in accordance with Hong Kong Accounting Standard 37 *Provision, Contingent Liabilities and Contingent Assets* issued by the Hong Kong Institute of Certified Accountants ("HKAS 37"). Any adjustment found to be necessary would affect the Group's statement of profit or loss for the year ended 31 December 2013 and the Company's and the Group's statements of financial position as at that date, and the related disclosures in the financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the Year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$6,242 million during the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK$391 million. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

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 chemicals, 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

During the Year, market environment continues to be challenging for the Group. Weakened demand for and plummeting products' prices of both amino acids products and chemicals products are the keys in pressuring the gross margins of the Group's businesses. Outbreak of bird flu had led to a shrunken domestic consumption of animal feed in Mainland China during the first half of the Year, which was also the lowest seasonality of animal feed industry. Such had directly posed an adverse impact on the demand for the Group's lysine products. From the cost perspective, especially on raw material, corn costs remained high due to strong demands for agricultural products for further processing and feedstock as food chain, despite an improving harvest year on year.

The amino acid business of the Group was immensely strained during the Year. Demand for lysine products was hampered due to unfavorable sentiment in the animal feed market, but the supply and inventory level of the products continue to hike due to increasing expansion of competitors in the market. Hence, the Group has taken a responsive strategic decision in the second half of the Year by reducing its inventory against forfeiting profit margins of the business. However, this will not only enable the Group to minimize its exposure in such bearish market, but will also enhance flexibility and influential power of the Group amidst such competitive situation. Inevitably, the loss for the Year was widened without strong contribution from amino acid business due to the significant decline in average selling prices of amino acid products.

In view of the discontinuous correlation between crude oil prices and domestic chemicals product prices nowadays and the decrease in consumption of various chemicals products for downstream business, slow in sales and uncompetitive pricing causing the operation of polyol chemicals business to remain difficult during the Year. In view of such challenging operating environment, the Group has taken actions in minimizing the operating loss and cash outflow by suspending the operation of the polyol chemical facility during the third quarter of 2013. Having considered the market slumping sentiment and unattractive market prices, the management again prudently ordered to suspend productions of the polyol chemicals production starting from second quarter of 2014.

Coupled with the decrease in the average selling prices among all business units and the weakened quantity of products sold, the Group's turnover of HK$9.7 billion was recorded, representing a 19% decrease as compared to last year. On the other hand, the accelerated cost of sales brought a drop to the gross profit margins. The average cost of corn kernels (RMB2,029 per MT) increased by 2% year on year, poses further disturbance on the gross line last year.

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 curb the demand of corn by reducing and ceasing to license 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.

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 Year. 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$ 9.7 billion (2012: HK$11.9 billion))
(Gross loss: HK$ 901 million (2012: Gross profit HK$1.5 billion))
(Net loss: HK$ 6,242 million (2012: HK$684 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 inventories of the amino acids and polyol chemicals products due to the decrease of selling prices; (iii) the impairment loss of approximately HK$3.4 billion in total made by the Group for the polyol chemicals production facilities of approximately HK$2.0 billion in Xinglongshan, Changchun in view of the unfavourable market conditions, certain upstream production of approximately HK$125 million in Dehui, Changchun and Harbin and certain utility facilities of approximately HK$1.2 billion in Xinglongshan, Changchun due to insufficiency of cash flow generated from existing production lines to support the present value of such facilities and (iv) the increase of the average cost of corn kernels by 5% to HK$2,569 (2012: HK$2,446) per metric tonne ("MT") compared with last year.

Amino acids segment

(Revenue: HK$5.6 billion (2012: HK$7.8 billion))
(Gross loss: HK$404 million (2012: Gross profit: HK$1.2 billion))

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 Year, the revenue and gross profit of this segment decreased by approximately 28% and 133% respectively, which were mainly attributable to the heavy pressure on average selling price and inflating cost of the raw material, namely, corn kernels.

The revenue and gross loss of amino acids major products, such as lysine, protein lysine, threonine, and etc. amounted to approximately HK$4.4 billion (2012: HK$6.5 billion) and approximately HK$278 million (2012: Gross profit: HK$1,276 million) respectively, which accounted for approximately 45% (2012: 54%) 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, dropped 25% compared with last year, continued a downward trend since the last quarter of 2012 with a significant decrease in the gross profit of approximately 122% turned into gross loss contributed by a provision on closing inventories amounted to approximately HK$122 million (2012: Nil) and a provision of corn kernels of approximately HK$55 million (2012: Nil) is made owing to the dramatical decline in market selling price. This downturn cycle is mainly attributable to the additional production capacity launched from competitors, the adverse impact from the H7N9 bird flu outbreak and the slip in meat prices. The sales volume decreased by 10% year on year with the slowing demand in animal feed market.

The modified starch products within the segment recorded revenue of approximately HK$252 million (2012: HK$302 million) and gross profit of approximately HK$2.7 million (2012: HK$18 million) due to decreases in sales volume by approximately 20%, to 57,000 MT (2012: 71,000 MT) and increases in production costs despite a slight increase in average selling price of products.

Sales volume of corn refined products reduced by approximately 15%, resulting a decline in the revenue by approximately 3% as compared to last year, which amounted to approximately HK$990 million (2012: HK$1,022 million). The gross loss was further affected by a provision of corn kernels amounted to approximately HK$35 million (2012: Nil). The gross loss and gross loss margin of the upstream corn refined products were approximately HK$136 million (2012: HK$65 million) and approximately 14% (2012: 6%) respectively.

Polyol chemicals segment

(Revenue: HK$ 996 million (2012: HK$ 1,288 million))
(Gross loss: HK$ 634 million (2012: HK$ 50 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 Year, the sales volume of the glucose to amino acids segment decreased by approximately 54% to approximately 149,000 MT (2012: 322,000 MT) compared with last year. The revenue and gross profit decreased by approximately 55% to approximately HK$360 million (2012: HK$804 million) and by approximately 98% to approximately HK$2 million (2012: HK$89 million) respectively.

In light of reduced utilization of the production facility, the sales volume of the corn refined products decreased by approximately 43% to approximately 64,000 MT (2012: 113,000 MT) as compared with last year. During the Year, the revenue decreased by approximately 44% to approximately HK$159 million (2012: HK$284 million) and the gross loss increased by approximately 19% to approximately HK$44 million (2012: HK$37 million). The gross loss margin was approximately 27% (2012: 13%).

The polyol chemicals products generated revenue of approximately HK$206 million (2012: HK$200 million) and contributed gross loss amounting to approximately HK$507 million (2012: HK$102 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 the second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals amounted to approximately HK$301 million at 31 December 2013 (2012: HK$121 million) was made. As a result, this business recorded a gross loss margin of approximately 246% (2012: 56%) during the Year. In view of the challenging operating conditions and continuing losses of the polyol chemicals business, the production of polyol chemicals has been suspended during the third quarter of 2013, and the management again has decided to suspend the operation of the production facility with effect from the date of this announcement.

Ammonia is a new product launched by the Group since 2013. The revenue and gross loss of ammonia are approximately HK$270 million and HK$86 million respectively. Most of the ammonia was supplied to amino acids segment for production use.

Corn sweeteners segment

(Revenue: HK$4.2 billion (2012: HK$4.5 billion))
(Gross profit: HK$138 million (2012: HK$351 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 Year. The sales volume dropped by approximately 6% and revenue of corn sweeteners division decreased by approximately 7% as compared with last year. The gross profit from this segment decreased to approximately HK$138 million (2012: HK$351 million), with a gross profit margin of approximately 3% (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 19% and 159% respectively during the Year, 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 Year and the corresponding period last year as categorized by products are summarised as follows:

For the year ended 31 December 2013

Product series	Sales volume *MT*	Average selling price per MT *HK$*	Average cost of goods sold per MT *HK$*	Revenue *HK$'000*	Gross profit/(loss) *HK$'000*
Upstream products	**986,898**	**3,123**	**3,306**	**3,082,557**	**(180,584)**
Downstream products					
Amino acids	**588,829**	**7,459**	**8,042**	**4,391,781**	**(343,650)**
Modified starch	**57,230**	**4,397**	**4,349**	**251,665**	**2,757**
Polyol chemicals	**35,872**	**5,748**	**19,623**	**206,205**	**(497,693)**
Ammonia	**8,830**	**3,306**	**4,576**	**29,187**	**(11,217)**
Corn sweeteners	**474,392**	**3,637**	**3,364**	**1,725,247**	**129,499**
Total				**9,686,642**	**(900,888)**

For the year ended 31 December 2012

Product series	Sales volume *MT*	Average selling price per MT *HK$*	Average cost of goods sold per MT *HK$*	Revenue *HK$'000*	Gross profit/(loss) *HK$'000*
Upstream products	958,237	3,062	3,134	2,934,597	(68,431)
Downstream products					
Amino acids	652,794	9,936	7,742	6,486,371	1,432,123
Modified starch	71,486	4,218	3,989	301,540	16,415
Polyol chemicals	24,532	8,133	12,727	199,524	(112,704)
Ammonia	—	—	—	—	—
Corn sweeteners	546,327	3,635	3,151	1,986,050	264,588
Total				11,908,082	1,531,991

Export Sales

The Group generated revenue of approximately HK$2,527 million (2012: HK$3,012 million) from export sales, which accounted for approximately 26% (2012: 25%) of the Group's total revenue, representing an decrease of approximately HK$489 million or approximately 16% as compared to last year. The drop was due to the slowdown of the global market.

Operating expenses, finance costs and income tax expense

Despite the decrease of approximately 4% in total sales volume of the Group, the selling and distribution costs amount to approximately HK$762 million (2012: HK$770 million), representing a decrease of approximately 1% over last year. However, the ratio of such operating expenses over the Group's revenue surged up to approximately 8% (2012: 6%) as the revenue of the Group decreased by approximately 19% over last year.

The administrative expenses of approximately HK$717 million (2012: HK$459 million), representing an increase of approximately 56%. Hence, the ratio of such administrative expenses to revenue increase to approximately 7% (2012: 4%), due to the temporary suspension of polyol chemicals production between June 2013 to September 2013 in view of unfavourable market conditions, the fixed overhead production costs of polyol chemicals amounting to approximately HK$175 million (2012: HK$81 million) have been reallocated into administrative expenses. In view of the unfavourable market conditions, the Group has implemented cost control measures by exercising flexible production on its production lines for its lysine products, fixed overhead production costs of lysine and sweetener segments amounting approximately HK$106 million (2012: Nil) have been reallocated to administrative expenses.

The other operating expenses for the Year amounted to approximately HK$3,520 million (2012: HK$367 million) mainly comprising of legal expenses of approximately HK$10 million (2012: HK$11 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$14 million (2012: HK$119 million) due to the development of new series of lysine products, the provision for doubtful debts written back of approximately HK$77 million (2012: Provision of doubtful debts: HK$120 million) for the long overdue debtors; the loss on foreign exchange of approximately HK$111 million (2012: HK$22 million) due to appreciation of RMB during the Year; and impairment of long-term assets of approximately HK$3.4 billion (2012: Nil) in respect of certain production facilities of the Group in Xinglongshan, Changchun for the production of its polyol chemicals, which had been suspended between June 2013 to September 2013 in view of unfavorable market conditions, and certain upstream production facilities in Dehui, Changchun and Harbin and certain utility facilities of the Group in Xinglongshan, Changchun due to the inefficiency of cashflow generated from existing production lines to support the present value of such facilities.

Owing to the rise of total borrowings during the Year the finance costs of approximately HK$673 million (2012: HK$585 million) increased by approximately 15% as compared to last year. However, it is anticipated that the heavy pressure from finance costs will remain endurable for the year 2014.

During the Year, Changchun Dahe Bio Technology Development Co., Ltd ("Dahe") paid approximately HK$886 million to Global Corn Investments (HK) Limited and 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$11 million deferred tax provision which related to the distributable profits of Changchun Dacheng Industrial Group Co., Ltd was made. During the Year, a tax provision of approximately HK$37 million (2012: Nil) accrued for the inter-company loan interest. Furthermore, GBT Europe GmbH ("GBTE") incorporated in Germany made a tax provision of approximately HK$21 million related to transfer pricing adjustment and a tax provision of approximately HK$32 million regarding to income tax in deemed income. Besides, due to the unfavorable market conditions, a provision of deferred tax assets amounting approximately HK$52 million (2012: Nil) was made during the year. The total income tax amounting to approximately HK$223 million (2012: HK$11 million) was charged for the Year representing an increase of approximately 1,912% over last year.

Profit/loss shared by non-controlling shareholders

During the Year, GSH recorded a loss of approximately HK$320 million (2012: HK$254 million) in which gave rise to the loss shared by the non-controlling shareholders of GSH amount to approximately HK$115 million (2012: HK$89 million).

On 23 May 2013, the Group acquired all of the equity interest of Dacheng Bio-tech Development Co., Ltd ("Dacheng Bio-tech") and Changchun GBT Bio-Chemical Co., Ltd. ("JBT"). On the date of the acquisition, Dacheng Bio-tech and 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$7 million) and the loss share by the non-controlling shareholders of JBT amounted to approximately HK$60 million (2012: Nil).

During the Year, 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 sales of corn oil. Wanxiang recorded a loss of HK$3.4 million (2012: Nil) in which gave rise to the loss share by the non-controlling shareholders of Wanxiang amount to approximately HK$1.7 million (2012: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2013 increased by HK$1.6 billion to approximately HK$9.8 billion (31 December 2012: HK$8.2 billion). The net borrowings increased to approximately HK$8.5 billion (31 December 2012: HK$6.9 billion). Cash and cash equivalents increased by approximately HK$44 million to approximately HK$1,310 million (31 December 2012: HK$1,266 million) as compared to the cash level as at 31 December 2012.

Structure of interest bearing borrowings

As at 31 December 2013, the Group's bank and other borrowings amounted to approximately HK$9.8 billion (31 December 2012: HK$8.2 billion), of which approximately 1% (31 December 2012: 2%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 99% (31 December 2013: 98%) were denominated in Renminbi ("RMB"). The average interest rate during the Year was approximately 6.9% (31 December 2012: 7.1%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 51% (31 December 2012: 41%), approximately 43% (31 December 2012: 48%) and approximately 6% (31 December 2012: 11%), respectively. The changes were mainly due to the increase of approximately HK$1.6 billion short term loan 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 Year, trade receivables turnover days remained at similar level at approximately 53 days (31 December 2012: 48 days). Meanwhile, the trade creditors turnover days increased to approximately 77 days (31 December 2012: 46 days) because a tightened payment policy has been put in place by the Group during the Year. On the other hand, as certain provisions were made for the inventories, the inventory turnover days improved to 115 days (31 December 2012: 128 days), simultaneously, the Group's stock level was decreased to approximately HK$3.3 billion (31 December 2012: HK$3.6 billion) during the Year.

Despite the increase of short term interest bearing borrowings of approximately HK$1.6 billion when compared to the position as at 31 December 2012, the current ratio and the quick ratio remained at similar level of approximately 1.0 (31 December 2012: 1.2) and 0.6 (31 December 2012: 0.7) respectively. It is because the increase in short term borrowings was offset by the decrease of operating cash flow. Moreover, due to the increase in short term borrowings and certain long terms assets impaired during the year, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 164% (31 December 2012: 62%) and to approximately 196% (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 worsen to approximately 52% (31 December 2012: 36%) and 192% (31 December 2012: 73%) respectively. In view of the continual support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchange 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 Year and the Group did not have any material hedging instrument outstanding as at 31 December 2013.

LITIGATIONS

Alleged infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710")

Pursuant to the writ served on the Relevant Group Members on 22 October 2013, the Plaintiffs alleged that the Relevant Group Members have infringed EP '710 and requested for preliminary relief proceedings to be held before the District Court in The Hague, the Netherlands (the "**District Court**").

Pursuant to the writ, it is alleged by the Plaintiffs that a sample seized in the Netherlands in February 2013, which was then analyzed by a research agency engaged by the Plaintiffs, was found by the research agency to infringe EP '710.

On 20 March 2014, a judgment has been served on the Relevant Group Members regarding the above alleged new infringement. It was ruled by the District Court in summary proceedings that the Relevant Group Members have committed infringement of EP '710 and the following orders were made: (i) the penalties for violation of the injunctions contained in the previous judgment concerning EP '710 and EP 0.733.712 (entitled "Process for Producing Substance") ("**EP '712**") shall be increased to EUR1,000 per kilogram of L-lysine that is produced, used, commercialized, or offered for either of those, imported or kept in stock in the Netherlands, or EUR100,000 for each time or every day or part thereof; (ii) the Relevant Group Members shall provide to the counsel of the Plaintiffs within two months after service of the judgment a written specification, accompanied by copies of all relevant written documents, in particular, quotations, purchase and sales invoiced and packaging slips concerning the quantity of infringing L-lysine produced, used, commercialized or sold, supplied or offered or imported for either of those in the Netherlands, the turnover and net profit, as well as a list and details of all third parties involved in the Netherlands, in particular the customers of the infringing L-lysine in the Netherlands at the cost of the Relevant Group Members; (iii) the Relevant Group Members shall allow an independent auditor to examine the written specification set out in (ii) above, and shall grant access to and assist the independent auditor to verify the written specification at the cost of the Relevant Group Members; (iv) the Relevant Group Members shall within 14 days after service of the judgment request all of its buyers of the infringing L-lysine in the Netherlands in writing by using the wordings specified in the judgment to return the infringing L-lysine products within two weeks with an offer to compensate to the buyers the invoice price and transport costs; (v) the Relevant Group Members shall publish a statement on the Company's website with wordings specified in the judgment regarding the infringement within two business days after service of the judgment; (vi) the Relevant Group Members shall send a press release with wordings specified in the judgment to Feedinfo News Services and publish such press release on the website of Feedinfo News Services regarding the infringement within two days after service of the judgment; (vii) the Relevant Group Members shall publish an advertisement with wordings specified in the judgment in the next issue of the Professional Journal for the Grain Processing and Animal Feed Industry entitled "The Miller" regarding the infringement; (viii) the Relevant Group Members shall pay the Plaintiffs a penalty of EUR100,000 per day or part thereof if they fail to fully or properly comply with the orders set out in (i) to (vii) above; and (ix) the Relevant Group Members shall pay for the Plaintiffs' legal costs, which amount is estimated to be EUR70,000 until the date of the judgment.

The Group is currently seeking legal advice in relation to the above judgment. As of the date of this announcement, in respect of the penalties as set out in the previous judgment referred to in paragraph (i) above, the Plaintiffs have demanded for, and the Group has paid, a penalty of an amount of EUR60,000 and it is expected that the Plaintiffs may make further demand on the penalties after handing down of this judgment.

Previous judgment concerning EP '710 and EP '712

The Dutch Courts have ruled that the Relevant Group Members have committed infringement of EP '710 and EP '712, which judgment is final. The Relevant Group Members disputed to the first instance costs of approximately EUR1,000,000 claimed by the Plaintiffs and a decision is expected to be rendered by the Court on or after 2 April 2014.

Alleged infringement of EP 1.664.318 (entitled "L-amino acid-producing micro-organism and method for producing L-amino acid") ("EP '318")

Pursuant to the writs of summons received by the Relevant Group Members on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands ("**Court**"), the Plaintiffs alleged that the Relevant Group Members have infringed EP '318 and 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.

On 8 January 2014, a response was filed on behalf of the Relevant Group Members disputing the allegations of infringement and by way of counterclaim requesting invalidation of the invoked patent. The Plaintiffs may file a response to the aforementioned counterclaim by 5 March 2014 and an oral hearing is scheduled for 13 June 2014.

Alleged infringement of EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

A judgment has been rendered by the District Court which rules that the Relevant Group Members have committed infringement of EP '912. The District Court also issued orders, among other things, (i) prohibiting the Relevant Group Members from further infringement of the patent numbered EP '912 in the Netherlands; (ii) ordering the Relevant Group Members to deliver to the Plaintiffs or destroy all infringing L-lysine products in the Netherlands; (iii) ordering the Relevant Group Members to provide a report to the Plaintiffs' legal advisers showing the revenue and net profit generated by the infringing L-lysine products in the Netherlands; and (iv) ordering, at the choice of the Plaintiffs, the surrender of the net profits made by the Relevant Group Members from the alleged infringement or payment of damages to the Plaintiffs.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has ground to defend 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 31 December 2013.

RESUMPTION OF LAND, BUILDINGS, MACHINERIES AND FIXTURES

Reference is made to the announcements of the Company dated 7 January 2014 and 13 January 2014 in relation to the resumption of land and buildings, machineries and fixtures erected thereon in Changchun, the PRC.

In response to the call of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly, on 30 December 2013, the Group entered into the three compensation agreements (the "GBT Land Compensation Agreements") with the Changchun Land Reserve Centre (the "Land Reserve Centre")pursuant to which the Group agreed to the resumption of three pieces of land located on the west side of Xihuancheng Road, Changchun, the PRC (the "GBT Land"). On the same date, the GSH Group entered into a compensation agreement (the "GSH Land Compensation Agreement") with the Land Reserve Centre pursuant to which the GSH Group agreed to the resumption of a piece of land (the "GSH Land") located on the west side of Xihuancheng Road, Changchun, the PRC which is owned by the GSH Group. On 31 December 2013, the GSH Group entered into the a compensation agreement (the "GSH Assets Compensation Agreement") with the Land Reserve Centre pursuant to which the GSH Group has agreed to the resumption of the buildings and fixtures erected on the GSH Land.

The production facilities of the GBT Group and the GSH Group currently located on the GBT Land, the GSH Land and the east side of Xihuancheng Road, Changchun, the PRC have or will be relocated to Xinglongshan, Changchun, the PRC. As at the date of this announcement, part of the production facilities of the GBT Group in Xinglongshan, Changchun, the PRC has already commenced commercial production. It is expected that the GSH Group shall commence construction of the production facilities and installation of new equipment in Xinglongshan in the first half of 2014 and commercial production at the new site in Xinglongshan shall commence by the first half of 2015.

Given that the Group has already entered into the GBT Land Compensation Agreements, the buildings, machineries and fixtures erected on a piece of land being part of the GBT Land (the "Subject Land") shall also be resumed.

Pursuant to the GBT Assets Compensation Agreement, the Group shall agree to the resumption of the buildings, machineries and fixtures erected on the Subject Land. Under the GBT Assets Compensation Agreement, the Group shall warrant that the buildings, machineries and fixtures erected on the Subject Land have no title defect and shall demolish such buildings, machineries and fixtures in accordance with the requirement of the Land Reserve Centre. The Land Reserve Centre shall make a compensation of RMB719 million to the Group at such time to be agreed between the parties. Other than the Subject Land, the other two pieces of land which form part of the GBT Land are vacant, therefore, no similar agreement will be entered into between the Group and the Land Reserve Centre in respect of resumption of buildings, machineries and fixtures on the other two pieces of land.

The compensation to be made by the Land Reserve Centre to the Group under the GBT Assets Compensation Agreement was determined based on arm's length negotiations between the Group and the Land Reserve Centre based on the fair value of the buildings, machineries and fixtures as appraised by two independent valuers based on cost method, which in aggregate amounted to approximately RMB719 million as of 17 August 2013, and the estimated loss to be incurred by the Group as a result of termination of operations and relocation.

The transaction contemplated under the GBT Assets Compensation Agreement, on a standalone basis, will constitute a major transaction of the Company under the Listing Rules. Under Rule 14.22 of the Listing Rules, if the transaction contemplated under the GBT Assets Compensation Agreement is aggregated with the GBT Land Compensation Agreements, the GSH Land Compensation Agreement and the GSH Assets Compensation Agreement as all of these agreements were and will be entered with the Land Reserve Centre, the applicable percentage ratios are still more than 25% but below 75% and therefore the transaction contemplated under the GBT Assets Compensation Agreement will still constitute a major transaction of the Company under the Listing Rules.

An extraordinary general meeting will be convened and held for the shareholders of the Company to consider and, if thought fit, to approve the GBT Assets Compensation Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the GBT Assets Compensation Agreement and the notice of the extraordinary general meeting will be despatched to the shareholders of the Company in due course.

OUTLOOK

The operating environment in 2014 will remain challenging. Lysine products are yet to be stationed within the downslope of its business cycle, and excessive supply and slow recovery in animal feed industry will be expected during the first half of 2014. However, the lysine industry has been undergoing a phase of consolidation, and it is expected that the market will gradually improve with the elimination of weaker competitors in the industry. Moreover, steady growth in Mainland China and recovering sentiment in global economy are expected to sustain stable demand for lysine, which is an essential ingredient for animal feed. The Group anticipates a soft recovery only by late 2014.

Therefore, a number of flexible strategic plans during 2014 are necessary to be imposed in order to endure the current severe and fast changing business environment.

In view of the heavy competition in lysine market and the preparation for relocation of production facilities in Changchun, the Group is preparing to scale down production volume for lysine products by suspending the operation of one of the lysine production facilities located in Lu Yuan District, Changchun. The production facility is equipped with an annual production capacity of approximately 200,000 MT and will be relocated to Dehui District, Changchun. Upon completion of the relocation project, the amino acid segment will be concentrated in the production site of the Group in Dehui District, Changchun. This will enable and enhance control of the operation and fermentation technologies, thus, further supporting future strategies in developing the amino acids segment.

In addition, the Group will also capitalize on its strong research and development capability to widen its amino acid products mix by launching high value added amino acids, such as high concentrate protein lysine products in order to eventually substitute the traditional lysine (98% lysine) products, being threonine and arginine. The high concentrate protein lysine products are also considered as important ingredient for animal feed production.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2013, the Group had approximately 6,200 full time employees in Hong Kong and the PRC. The Group recognizes the importance of human resources to its success, and recruited qualified and experienced personnel for increased production capability and development of new biochemical products. Remuneration of employees is maintained at competitive levels with discretionary bonuses payable on a merit basis whilst in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

PURCHASE, SALES 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 Year.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 22 May 2014 to 23 May 2014, both days inclusive, during which period no transfer of shares will be registered in order to determine the entitlements to the attendance at the annual general meeting.

Shareholders are reminded that in order to qualify for the attendance at the annual general meeting, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 21 May 2014.

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 of the Company 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors.

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 Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises 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 annual results for the Year have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The 2013 annual general meeting of the Company will be held at 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 23 May 2014 at 3:00 pm. Notice of the 2013 annual general meeting will be published and issued to shareholders of the Company in due course.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by the Listing Rules, will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.globalbiochem.com) in due course.

On behalf of the Board
Global Bio-chem Technology Group Company Limited
Liu Xiaoming
Chairman

Hong Kong, 31 March 2014

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

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