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 2014

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 2014 (the "Year"), together with the comparative figures in the previous year as follows:

	2014	2013	Increase/ (Decrease)
Revenue (HK$'Mn)	**6,399**	9,687	(34%)
Gross loss (HK$'Mn)	**(890)**	(901)	1%
Loss for the year from a discontinued operation (HK$'Mn)	**—**	(5)	N/A
Net loss for the year from continuing operations (HK$'Mn)	**(3,771)**	(6,237)	N/A
Net loss attributable to owners of the parent (HK$'Mn)	**(3,371)**	(6,081)	N/A
Basic loss per share (HK cents)	**(103)**	(186)	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 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
CONTINUING OPERATIONS			
REVENUE	4	**6,399,205**	9,686,643
Cost of sales		**(7,288,927)**	(10,587,530)
Gross loss		**(889,722)**	(900,887)
Other income and gains	4	**426,090**	588,049
Selling and distribution expenses		**(551,339)**	(762,459)
Administrative expenses		**(836,170)**	(717,477)
Other expenses	5	**(1,233,409)**	(3,520,221)
Finance costs	6	**(628,318)**	(673,399)
Share of losses of associates		**—**	(27,899)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	**(3,712,868)**	(6,014,293)
Income tax expense	7	**(58,067)**	(222,584)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(3,770,935)**	(6,236,877)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**—**	(5,397)
LOSS FOR THE YEAR		**(3,770,935)**	(6,242,274)
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		**(66,083)**	293,667
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Deficit 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		**(66,083)**	97,340
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,837,018)**	(6,144,934)

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

Year ended 31 December 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Loss attributable to:			
Owners of the parent		**(3,371,388)**	(6,081,097)
Non-controlling interests		**(399,547)**	(161,177)
		(3,770,935)	(6,242,274)
Total comprehensive loss attributable to:			
Owners of the parent		**(3,430,332)**	(6,003,018)
Non-controlling interests		**(406,686)**	(141,916)
		(3,837,018)	(6,144,934)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the year	*9*	**HK$(1.03)**	HK$(1.86)
— For loss from continuing operations		**HK$(1.03)**	HK$(1.86)
Diluted			
— For loss for the year	*9*	**HK$(1.03)**	HK$(1.86)
— For loss from continuing operations		**HK$(1.03)**	HK$(1.86)

Details of the proposed dividend (if any) for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,762,369**	9,527,647
Prepaid land lease payments		**697,351**	812,925
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**5,907**	8,904
Goodwill		**106,308**	344,553
Intangible assets		**5,424**	5,434
Deferred tax assets		**968**	25,153
Investments in an associate		**—**	—
Total non-current assets		**9,578,327**	10,724,616
CURRENT ASSETS			
Non-current assets held for sale		**—**	759,480
Inventories	*10*	**843,829**	3,341,568
Trade and bills receivables	*11*	**581,793**	1,419,257
Prepayments, deposits and other receivables	*12*	**1,946,818**	952,114
Due from an associate		**21,320**	31,110
Equity investments at fair value through profit or loss		**35,617**	93,581
Derivative financial instruments		**—**	19,021
Pledged deposits	*13*	**269,909**	133,996
Cash and cash equivalents	*13*	**478,780**	1,309,997
Total current assets		**4,178,066**	8,060,124
CURRENT LIABILITIES			
Trade and bills payables	*14*	**2,001,091**	2,225,258
Other payables and accruals		**1,246,304**	1,063,113
Interest-bearing bank borrowings		**6,008,438**	4,954,609
Bonds		**—**	44,483
Tax payable		**182,813**	164,145
Total current liabilities		**9,438,646**	8,451,608
NET CURRENT LIABILITIES		**(5,260,580)**	(391,484)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,317,747**	10,333,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,317,747**	10,333,132
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,682,488**	4,798,173
Deferred tax liabilities		**231,365**	230,304
Deferred income		**146,004**	209,747
Total non-current liabilities		**3,059,857**	5,238,224
Net assets		**1,257,890**	5,094,908
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*15*	**326,349**	326,349
Reserves		**495,957**	3,926,289
		822,306	4,252,638
Non-controlling interests		**435,584**	842,270
Total equity		**1,257,890**	5,094,908

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 in Hong Kong 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 is principally engaged 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.

The financial statements have been prepared under the historical cost convention, except for equity investments, an available-for-sale investment and certain property, plant and equipment "periodically remeasured" at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$").

During the current year, a subsidiary of the Group was granted three long term loans with an aggregate amount of RMB540,000,000 by a bank which were repayable in 2016. Pursuant to the loan facility agreements, a termination event would arise if the subsidiary cannot meet the financial covenants as set out therein. At the end of the reporting period, the subsidiary was unable to comply with certain of these covenants. Accordingly, the whole amount of these long term loans has been reclassified from long term bank borrowings to short term bank borrowings at 31 December 2014. This non-compliance may also trigger cross default of other short term loan agreements in the aggregate outstanding principal amount of RMB622,000,000. In addition, another subsidiary of the Group was unable to comply with certain financial covenants of a short term bank loan of RMB40,000,000 at the end of the reporting period.

The Group recorded a consolidated net loss of HK$3,771 million (2013: HK$6,242 million) for the year ended 31 December 2014 and as at that date, the Group recorded net current liabilities of HK$5,261 million (31 December 2013: HK$391 million). In view of these circumstances, the Directors 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 the banks in the PRC to secure the renewals of the Group's short term bank loans and long term bank loans when due to meet its liabilities when fall due.

2.1 BASIS OF PREPARATION *(Continued)*

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

Pursuant to a Company's announcement on 23 September 2011, the Group has commenced a plan to relocate its production facilities located in Lu Yuan District, Changchun, the PRC ("Lu Yuan District") in response to the request of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly. The relocation commenced in 2012 and will be carried out in stages. Land together with the buildings, machinery and fixtures erected on these pieces of land located in Lu Yuan District will be resumed by the relevant government body, being the Changchun Land Reserve Centre（長春市土地儲備中心）. Formal contracts have been signed by the parties on the first stage relocation whereby compensation in cash has been agreed to be settled as follows: (i) RMB202 million equivalent to HK$256 million upon the resumption of the parcels of land; and (ii) RMB806 million (equivalent to HK$1,020 million) upon the disposal of the related buildings and fixtures erected thereon. For the second stage relocation, the directors of the Company have been actively negotiating with the Changchun Land Reserve Centre to agree on the respective compensation. Up to the date of this announcement, mutual framework agreements have been reached by the parties whereby the parties have reached a preliminary understanding on the intention of the resumption of land. It was the parties' understanding that the compensation shall be determined based on the valuation to be performed by a valuer to be appointed by Changchun Land Reserve Centre. The valuation is subject to the review and approval by the Changchun Land Reserve Centre after verification by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre（長春市土地儲備交易資金審核中心）. It is expected that formal land resumption compensation agreements will be entered into between the Group and Changchun Land Reserve Centre after the final terms and conditions have been agreed between the parties, and if required under the Listing Rules, to be subject to approval by shareholders of the Company.

For the first stage relocation, the Group has received cash compensation of RMB608 million, and the management expects the remaining compensation RMB400 million will be received from the government by May 2015. For the second stage relocation, the management expects that, subject to and conditional upon the entering into and completion of the formal agreements, the valuation of the subject land, buildings, machinery and fixtures erected thereon to be appraised by the valuer to be appointed by the Changchun Land Reserve Centre and the final determination of the amount of compensation, the compensation may be RMB1.8 billion based on the best estimate of the Directors. The Directors based on the experience of the first stage relocation and the current discussion status with the relevant party, anticipate that the first instalment payment of approximately RMB600 million estimated by the Directors will be received by the government June 2015 and full payment before the end of 2015. The Directors will use best endeavour to expedite the process with the aim to receiving the compensation or any part thereof as soon as possible.

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

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. During the year ended 31 December 2014, the Group has scaled down certain of its amino acids and corn starch production and suspended the production of polyol chemicals in order to minimize operating cash outflow.

2.1 BASIS OF PREPARATION *(Continued)*

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 of land, buildings, machinery and fixtures erected thereon at Lu Yuan District; and (iii) the measures of the operating level aiming to minimising the Group's operating 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 Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. 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.

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 revised standards and new interpretation for the first time for the current year's financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets And Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	Meaning of effective HKFRSs

1 Effective from 1 July 2014

Except that certain presentation and disclosure of financial statement items have been revised, the adoption of these new and revised HKFRSs did not have any significant effect on the financial position or performance of the Group.

2.3 NEW AND REVISED HKRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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*[4]
Amendments to HKFRS 10 and HKAS 28(2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27(2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap.622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial instruments. Further information about the impact will be available nearer the implementation date of the standard.

2.3 NEW AND REVISED HKRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(Continued)*

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group.

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. OPERATING SEGMENT INFORMATION

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

(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 assessment of performance of different operating segments. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax from continuing operations. The adjusted 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.

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.

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Amino acids		Polyol chemicals		Corn sweeteners		Elimination		Total	
	31 December 2014 HK$'000	31 December 2013 HK$'000	**31 December 2014 HK$'000**	31 December 2013 HK$'000	**31 December 2014 HK$'000**	31 December 2013 HK$'000	**31 December 2014 HK$'000**	31 December 2013 HK$'000	**31 December 2014 HK$'000**	31 December 2013 HK$'000
Revenue:										
External customer	**3,313,262**	5,633,768	**194,400**	363,735	**2,891,543**	3,689,140	**—**	—	**6,399,205**	9,686,643
Intersegment	**91,793**	—	**342,190**	632,408	**28,173**	510,879	**(462,156)**	(1,143,287)	**—**	—
Total Revenue	**3,405,055**	5,633,768	**536,590**	996,143	**2,919,716**	4,200,019	**(462,156)**	(1,143,287)	**6,399,205**	9,686,643
Segment results	**(1,394,584)**	(1,275,146)	**(619,967)**	(3,868,004)	**(1,057,702)**	(206,578)	**—**	—	**(3,072,253)**	(5,349,728)
Bank interest income									**6,973**	4,384
Unallocated revenue									**41**	28,153
Unallocated expenses									**(19,311)**	(23,703)
Finance costs									**(628,318)**	(673,399)
Loss before tax									**(3,712,868)**	(6,014,293)
Income tax expense									**(58,067)**	(222,584)
Loss from a discontinued operation									**—**	(5,397)
Loss for year									**(3,770,935)**	(6,242,274)

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Amino acids		Polyol chemicals		Corn sweeteners		Total	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**9,986,414**	13,130,435	**3,548,644**	4,476,520	**2,756,825**	3,952,139	**16,291,883**	21,559,094
Reconciliation:								
Elimination of intersegment receivables							**(3,284,535)**	(4,244,055)
Cash and cash equivalents							**478,780**	1,309,997
Pledged deposits							**269,909**	133,996
Corporate and other unallocated assets							**356**	19,377
Assets related to a discontinued operation							**–**	6,331
Total assets							**13,756,393**	18,784,740
Segment liabilities	**2,416,560**	2,185,108	**3,447,965**	4,735,544	**1,218,382**	1,202,588	**7,082,907**	8,123,240
Reconciliation:								
Elimination of intersegment payables							**(3,284,535)**	(4,244,055)
Interest-bearing bank and other borrowings							**8,690,926**	9,752,782
Corporate and unallocated liabilities							**9,205**	56,676
Liabilities related to a discontinued operation							**–**	1,189
Total liabilities							**12,498,503**	13,689,832

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Amino acids		Polyol chemicals		Corn sweeteners		Total	
	31 December 2014 HK$'000	31 December 2013 *HK$'000*	**31 December 2014 HK$'000**	31 December 2013 *HK$'000*	**31 December 2014 HK$'000**	31 December 2013 *HK$'000*	**31 December 2014 HK$'000**	31 December 2013 *HK$'000*
Other segment information:								
Capital expenditure*	**111,474**	212,951	**119,917**	132,451	**55,476**	97,493	**286,867**	442,895
Depreciation	**405,519**	374,811	**48,251**	297,848	**142,829**	146,198	**596,599**	818,857
Amortisation of prepaid land lease payments	**14,893**	11,588	**2,637**	4,735	**7,171**	7,664	**24,701**	23,987
Gain on exercise of a put option by non-controlling interests	**—**	—	**—**	187,500	**—**	—	**—**	187,500
Gain on disposal of prepaid land lease payments	**37,884**	55,485	**—**	—	**—**	—	**37,884**	55,485
Gain on resumption of land, property plant and equipment	**—**	46,981	**154,194**	120,537	**102,669**	18,780	**256,863**	186,298
Impairment of property, plant and equipment	**—**	90,673	**—**	3,104,664	**262,633**	—	**262,633**	3,195,337
Impairment of goodwill	**—**	—	**—**	3,875	**238,245**	—	**238,245**	3,875
Impairment of intangible assets	**—**	—	**—**	21,342	**—**	—	**—**	21,342
Impairment of deferred tax assets	**22,630**	—	**—**	51,628	**—**	—	**22,630**	51,628
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	**17,786**	34,193	**21,246**	142,492	**—**	—	**39,032**	176,685
Share of losses of associate	**—**	27,899	**—**	—	**—**	—	**—**	27,899
Provision/(write-back) for impairment of trade receivables	**168,983**	(33,150)	**52,206**	(38,045)	**44,829**	(5,725)	**266,018**	(76,920)
Gain on fair value change on long term receivables	**—**	—	**—**	20,840	**—**	—	**—**	20,840
Loss on scraped raw materials	**30,208**	—	**90,090**	—	**—**	—	**120,298**	—
Write-down of inventories to net realisable value	**63,610**	220,761	**173,146**	359,044	**278,347**	46,241	**515,103**	626,046
Write-down/(write-off) of prepayments and other receivables	**191,282**	—	**73,060**	—	**(4,126)**	12,415	**260,216**	12,415

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
Mainland China	**5,186,349**	7,159,316
Regions other than Mainland China	**1,212,856**	2,527,327
	6,399,205	9,686,643

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

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Mainland China	**9,424,643**	10,330,515
Regions other than Mainland China	**152,716**	368,948
	9,577,359	10,699,463

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:

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**6,399,205**	9,686,643
Other income		
Bank interest income	**6,973**	4,384
Net profit arising from the sale of packing materials and by-products	**52,205**	38,998
Government grants*	**61,690**	39,554
Others	**8,259**	9,127
	129,127	92,063
Gains		
Gain on disposal of items of property, plant and equipment	**—**	13,603
Gain on disposal of prepaid land lease payments	**37,884**	55,485
Gain on bargain purchase	**—**	1,215
Gain on exercise of a put option by non-controlled interests	**—**	187,500
Gain on resumption of land, property, plant and equipment	**256,863**	186,298
Fair value change in long term receivables	**—**	20,840
Fair value gains, net:		
— Derivative financial instruments	**(4,800)**	27,374
— Equity investments at fair value through profit or loss	**1,527**	1,483
— Bonds	**(327)**	699
Foreign exchange difference, net	**5,816**	—
Exchange differences reclassified from reserves when the associate became a subsidiary	**—**	1,489
	296,963	495,986
	426,090	588,049

* Government grants in 2014 represented the rewards to certain subsidiaries located in Mainland China for environmental protection of land owned by these subsidiaries and energy efficiency rebates.

5. LOSS BEFORE TAX

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

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**5,119,523**	7,550,653
Depreciation	**596,599**	818,857
Amortisation of prepaid land lease payments	**24,701**	23,987
Auditors' remuneration	**4,800**	4,800
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**208,340**	246,331
Pension scheme contributions	**7,454**	91,424
	215,794	337,755
Other expenses:		
Exchange loss on exercise of a put option by non-controlling interests	**—**	35,714
Impairment of property, plant and equipment	**262,633**	3,195,337
Impairment of intangible assets	**—**	21,342
Impairment of goodwill	**238,245**	3,875
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	**39,032**	176,685
Impairment of prepayments and other receivables	**260,216**	12,415
Loss on scrapped raw materials**	**120,298**	—
Fair value losses of investments in an associate	**—**	44,547
Research and development costs	**17,084**	14,242
Provision/(write-back) for impairment of trade receivables	**266,018**	(76,920)
Penalty for breach of contract***	**21,938**	—
Loss on disposal of property, plant and equipment	**1,170**	—
Foreign exchange difference, net	**—**	75,553
Others	**6,775**	17,431
	1,233,409	3,520,221

5. LOSS BEFORE TAX *(Continued)*

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Provision of inventories recognised to net realisable value*	**515,103**	626,046
Amortisation of deferred income	**(8,637)**	(8,637)
Amortisation of intangible assets	**4**	3,059
Share of losses of an associate	**—**	27,899
Fair value (gains)/losses, net:		
— Derivative financial instruments	**4,800**	(27,374)
— Equity investments at fair value through profit or loss	**(1,527)**	(1,483)
— Bonds	**327**	(699)
— Long term receivables	**—**	(20,840)
Exchange differences reclassified from reserves when the associate became subsidiary	**—**	(1,489)
Gain on bargain purchase****	**—**	1,215

* Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income. Impairment of inventories for the year ended 31 December 2014 included the following:

During the year ended 31 December 2014 Changchun Dihao Foodstuff Development Co., Ltd. ("Changchun Dihao") and Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") subsidiaries of the Group, identified that 88,000 tonnes corn kernels with the cost of HK$224 million have deteriorated. The Group made a full provision of HK$224 million against these corn kernels and disposed them to a customer and two suppliers for a total consideration of HK$1 million at HK$11 per tonne. The Group has recorded the net impairment of HK$223 million in the consolidated statement of profit or loss in 2014. The customer has a common director with certain of the Group's subsidiaries in Mainland China and a shareholder of one of the two suppliers is the director of certain of the Group's subsidiaries in Mainland China. Thus, in the opinion of the directors they are related parties to the Group. Sales of protein meal and corn steep liquor to this customer and purchase of corn kernels from this supplier for the year ended 31 December 2014 amounted to HK$13.5 million (2013: HK$23 million) and advance from this customer as at 31 December 2014 was HK$6 million (2013: trade receivable of HK$2.5 million). The purchase of corn kernels from this supplier for the year ended 31 December 2014 amounted to HK$99.6 million (2013: HK$97.7 million) and prepayment made to this supplier as at 31 December 2014 was HK$2 million (2013: trade payable of HK$13 million).

As at 31 December 2014, a provision of HK$32 million was made for the corn kernels of Jinzhou Yuancheng due to the subsequent decrease in production output of these corn kernels.

** During the current year, Changchun Baocheng Bio-chem Development Co., Ltd. ("Baocheng"), a subsidiary of the Company scrapped coal of 59,000 tonnes and recognised loss of HK$30 million in "other expenses" in the consolidated statement of profit or loss.

*** Indemnity for breach of contract was accrued based on the judgement rendered by the court in Mainland China over a contract dispute with a customer.

**** 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:

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**589,344**	604,445
Interest on bank loans not wholly repayable within five years	**184,054**	32,135
Finance costs for discounted bills receivable	**6,957**	3,582
Interest on bonds	**1,174**	2,985
Interest on a put option	**—**	32,991
	781,529	676,138
Less: Interest capitalised	**(153,211)**	(2,739)
	628,318	673,399

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 (2013: 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.

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong	**—**	—
Current – Mainland China	**8,090**	88,277
Current – Others	**24,113**	53,153
Deferred	**25,864**	81,154
Total tax charge for the year	**58,067**	222,584

7. INCOME TAX *(Continued)*

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:

For the year ended 31 December 2014	**Hong Kong**		**Mainland China**		**Others**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax from continuing operations	**(208,836)**		**(3,441,458)**		**(62,574)**		**(3,712,868)**	
Tax at the statutory rate	**(34,458)**	**16.5**	**(860,365)**	**25.0**	**(19,398)**	**31.0**	**(914,221)**	**24.6**
Preferential tax rate offered	**—**	**—**	**85,090**	**(2.5)**	**—**	**—**	**85,090**	**(2.3)**
Income not subject to tax	**(106)**	**—**	**11,916**	**(0.3)**	**—**	**—**	**11,810**	**(0.3)**
Tax losses not recognised	**34,087**	**(16.3)**	**681,334**	**(19.8)**	**19,398**	**(31.0)**	**734,819**	**(19.8)**
Expenses not deductible for tax	**477**	**(0.2)**	**113,867**	**(3.3)**	**—**	**—**	**114,344**	**(3.1)**
Adjustments in respect of current tax of previous periods	**—**	**—**	**1,578**	**—**	**—**	**—**	**1,578**	**—**
Tax losses utilised from previous periods	**—**	**—**	**534**	**—**	**—**	**—**	**534**	**—**
Tax provision for transfer price	**—**	**—**	**—**	**—**	**24,113**	**(38.5)**	**24,113**	**(0.6)**
Tax charge at the Group's effective rate	**—**	**—**	**33,954**	**(0.9)**	**24,113**	**(38.5)**	**58,067**	**(1.6)**

For the year ended 31 December 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	5,564	(34.8)	1,437,825	(24.5)	41,460	(31.0)	1,484,849	(24.7)
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	(3,285)	20.5	(599)	—	—	—	(3,884)	0.1
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)*

Except for the subsidiary as stated below, the statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2013: 25%).

Changchun Dahe Bio Technology Development Co., Ltd. ("Dahe"), 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 incorporated in Germany which was subject to statutory income tax rate of 15%, trade tax of 15.93% on income 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. DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

9. 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 in issue during the year.

During the years ended 31 December 2014 and 2013, as anti-dilutive effect is resulted following the losses incurred by the Group, no adjustment has been made to the basic loss per share amounts.

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**(3,371,388)**	(6,077,816)
From a discontinued operation	**—**	(3,281)
	(3,371,388)	(6,081,097)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,263,489,164**	3,263,489,164

10. INVENTORIES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**202,672**	2,139,083
Finished goods	**641,157**	1,202,485
	843,829	3,341,568

As at 31 December 2014, certain inventories were written down to net realisable value of approximately HK$697,554,000 (31 December 2013: HK$3,063,857,000).

11. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**908,780**	1,281,622
Bills receivable	**78,826**	294,355
Impairment	**(405,813)**	(156,720)
	581,793	1,419,257

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.

An ageing 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:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**338,134**	495,674
1 to 2 months	**109,693**	229,018
2 to 3 months	**30,395**	71,760
3 to 6 months	**101,356**	283,502
Over 6 months	**2,215**	339,303
	581,793	1,419,257

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**156,720**	234,495
Impairment losses recognised	**266,520**	11,177
Impairment losses reversed	**(502)**	(88,097)
Amount written off as uncollectible	**(15,482)**	(7,018)
Exchange realignment	**(1,443)**	6,163
	405,813	156,720

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$405,813,000 (2013: HK$156,720,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**478,223**	796,452
Less than 1 month past due	**57,775**	90,957
1 to 3 months past due	**45,795**	266,408
Over 3 months past due	**—**	265,440
	581,793	1,419,257

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

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

11. TRADE AND BILLS RECEIVABLES *(Continued)*

Transferred financial assets that are not derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB22,946,000 (equivalent to HK$28,683,000) (2013: RMB16,850,000, equivalent to HK$21,329,000) 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 (2013: Nil) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, 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 RMB368,295,000 (equivalent to HK$460,369,000) (2013: 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 2014, 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.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Current:		
Prepayments	**913,638**	531,588
Deposits and other receivables	**1,033,180**	420,526
	1,946,818	952,114

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2014, the Group has recorded in deposits and other receivables amounting to approximately HK$793 million (2013: trade payable of HK$320 million) due from Changchun Dajincang Corn Collection Company ("Dajincang"), a major supplier of corn kernels, due to the stock return of certain corn kernels to Dajincang by two of the Group's subsidiaries, Changchun Dihao Food Stuff Development Co. Ltd., ("Changchun Dihao") and Changchun Baocheng Bio-chem Development Co. Ltd., ("Changchun Baocheng"), and the prepayment made by Dahe. Because of the suspension of production in the preparation for the relocation, Changchun Dihao and Baocheng have returned corn kernels of 218,000 tonnes with a total cost of approximately HK$628 million to Dajincang. The stock return of corn kernels were charged at the original purchase price. Dajincang has two directors in common with the Group's subsidiaries located in Mainland China. Thus, Dajincang is deemed as a related party to the Group. Other transactions and the balance with Dajincang have been included in "related party translations" in note 16 to the financial statements.

13. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cash and bank balances	**718,580**	1,222,830
Time deposits	**30,109**	221,163
	748,689	1,443,993
Less: Pledged for issuance of bills payable	**269,909**	133,996
Cash and cash equivalents	**478,780**	1,309,997

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$559,653,000 (31 December 2013: HK$829,805,000). 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 ageing 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:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**829,797**	926,593
1 to 2 months	**55,997**	284,239
2 to 3 months	**15,480**	70,747
Over 3 months	**1,099,817**	943,679
	2,001,091	2,225,258

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

15. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2013: 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 (2013: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

16. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

		2014	2013
	Notes	***HK$'000***	*HK$'000*
Sale of equipment to an associate	*(a)*	**7,556,944**	—
Sale of electricity and water to an associate	*(a)*	**296,778**	—
Purchase of corn refinery products from a former associate	*(b)*	**—**	72,368
Purchase of equipment from a related party	*(c)*	**25,622**	20,482

16. **RELATED PARTY TRANSACTIONS** *(Continued)*

(i) **Transactions with related parties** *(Continued)*

Notes:

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

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

(c) The company and the Group have one director in common, thus, this company is deemed as a related party to the Group.

(ii) **Transactions with Dajincang**

Dajincang, one of the major suppliers of the Group, is a company beneficially majority-owned by the staff union of the Group's PRC employees. Dajincang has two directors in common with the Group's subsidiaries located in Mainland China. Thus Dajincang is deemed as a related party to the Group. The total purchases from Dajincang for the year ended 31 December 2014 amounted to HK$1,532,078,000 (2013: HK$4,386,462,000). The transactions with Dajincang were made at prices mutually agreed between the parties.

As at 31 December 2014, the other receivables due from and prepayment made to Dajincang amounted to approximately HK$793 million (2013: trade payable of HK$320 million). Further details are set out in note 12 to the financial statements.

(iii) **Balances with related parties**

At the end of the reporting period, the Group's balances due from/to related parties were as follows:

	2014	2013
	HK$'000	*HK$'000*
Due from an associate	**21,320**	31,110
Due to a related party	**48,907**	1,127

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

16. RELATED PARTY TRANSACTIONS *(Continued)*

(iv) Compensation of key management personnel of the Group

	2014	2013
	HK$'000	*HK$'000*
Short term employee benefits	**963**	7,200
Post-employment benefits	**53**	30
Total compensation paid to key management personnel	**1,016**	7,230

Save as disclosed above and elsewhere in the consolidated financial statements, the Group did not have other related party transactions for the year.

17. 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. Certain judgement 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 such judgement.

In respect of an alleged new infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("**EP '710**") initiated by the Plaintiffs, 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.

By its judgement of 17 February 2014 (and the corrective judgement on 10 March 2014), the court confirmed the allegation against the Relevant Group Members. During the year, payment was made subsequent to the filing of the writ, pursuant to a request from the Plaintiffs. The Relevant Group Members received the writ of summons dated 12 August 2014, on which the Plaintiffs claims confirmation of the measures imposed by the judgement of 17 February 2014. 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 judgement and the prior request for payment by the Plaintiffs, paid an upfront payment and legal cost during the current year, which the management considers to be a fair estimate of the penalty payable under the judgement 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 judgement, which may include an application for clarification of the judgement. Please refer to the Company's announcement dated 25 March 2014 for details of the infringement.

Apart from those disclosed in the consolidated financial statements, the Relevant Group Members are also involved in other matters of litigations. Certain of the litigation have been settled and some of the litigations are pending for the outcome of the judgement. Management has estimated that these pending litigations would not give rise to significant financial liabilities to the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from Ernst & Young, the external auditors of the Company, on the Group's consolidated financial statements for the Year.

Basis for Disclaimer of Opinion

Impairment of non-current assets

As at 31 December 2014, the Group had an aggregate amount of non-current assets of HK$8,200 million, included within its total non-current assets of HK$9,577 million, which comprised property, plant and equipment of HK$7,568 million (net of depreciation and impairment), prepaid land lease payments of HK$520 million, deposits paid for the acquisition of property, plant and equipment and prepaid land lease payments of HK$4 million, goodwill of HK$106 million and intangible assets of HK$2 million. In view of the losses sustained by the Group, the management should have performed an impairment assessment on these assets in accordance with Hong Kong Accounting Standard ("HKAS") 36: Impairment of Assets issued by the Hong Kong Institute of Certified Public Accountant to ascertain whether these assets have been impaired. The management has not performed an impairment assessment on these assets as at 31 December 2014. We are unable to ascertain whether these assets have been impaired as at 31 December 2014.

Financial guarantee contracts

During the course of our audit, we identified that the Group and the Company had issued guarantees to banks in connection with facilities granted to a major supplier which amounted to RMB3 billion at 31 December 2010, 2011 and 2012, RMB33.5 billion as at 31 December 2013 and RMB2.85 billion as at 31 December 2014. These financial guarantee contracts were not recognised in the Group's and the Company's financial statements. As the management has not assessed the fair value of these guarantees, as required by HKAS 39 *Financial Instruments: Recognition and Measurement* issued by the Hong Kong Institute of Certified Public Accountants, we are unable to quantify the impact of this departure on the financial statements.

As at 31 December 2014, the Company recognised financial guarantee contracts of HK$706 million in respect of the financial guarantees granted to banks in connection with facilities granted to the Company's subsidiaries. The amounts of such financial liability contracts included in the statement of financial position of the Company were carried forward from the balance as at 1 January 2014 without re-measurement at 31 December 2014, as is required by HKAS 39 *Financial Instruments: Recognition and Measurement*. Had these financial guarantee contracts been remeasured in the current year, the amount of the financial liability recorded in the statement of financial position of the Company would have been materially affected. It is not practicable to quantify the financial effect of not remeasuring the financial guarantees at 31 December 2014.

Inventory losses

As disclosed in note 5 to the financial statements, for the year ended 31 December 2014, the Group recorded the following (i) in cost of sales a loss of HK$223 million for the disposal of certain corn kernels with deteriorated quality; (ii) in cost of sales a provision of HK$32 million against certain corn kernels with significant reduction in production yield; and (iii) in other expenses a stock loss amounting to HK$30 million arising from coal being scrapped. We have not been provided with sufficient supporting documents for these transactions and we are unable to ascertain whether these transactions recorded in the consolidated statement of profit or loss were fairly stated. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Inventories

Included in the Group's inventories balance as at 31 December 2014 were corn kernels of HK$39 million and coal of HK$31 million, which were kept at locations outside of the Group's premises. We were unable to perform effective audit procedures and to obtain sufficient appropriate audit evidence to verify the ownership of these inventories. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Prepayment and other receivable

Included in the Group's prepayment, deposit and other receivable balance as at 31 December 2014 was an outstanding prepayment made to and other receivable from a major supplier for the purchases of corn kernels with a total amount of HK$793 million. Included in this amount, HK$628 million arose from the return of certain corn kernels to the supplier recorded by the Group during the year. We have not been provided with sufficient supporting documents for the inventories returned to the supplier and we are unable to ascertain whether the sales return was fairly stated. Furthermore, we were unable to obtain sufficient audit evidence to verify the nature of the balance and the recoverability of the outstanding balance due from the supplier. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Accounts payable

Included in the Group's trade and bills payables balance as at 31 December 2014 were aggregate accounts payable of HK$2,001 million. We were unable to obtain adequate confirmation responses up to the date of our report. Any adjustment to the accounts payable balances found to be necessary should our circularization procedures have been satisfactorily completed would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Impairment of non-current assets

As at 31 December 2014, an aggregate amount of non-current assets amounting to HK$9,577 million which of comprised property, plant and equipment of HK$8,762 million (net of depreciation and impairment), prepaid land lease payments of HK$697 million, deposits paid for acquisition of property, plant and equipment and prepaid land lease payments of HK$6 million, goodwill of HK$106 million, and intangible assets of HK$6 million were included in the Group's consolidated statement of financial position. Based on the management's assessment of impairment, a provision for impairment losses of HK$501 million was made in the year ended 31 December 2014. However, due to the continued significant losses sustained by the Group, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the directors' impairment estimation. Any adjustments found to be necessary to the amount provided for the impairment would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Litigation

As explained in note 17 to the consolidated financial statements, the Company and certain subsidiaries of the Group were involved in litigation relating to certain infringed patents. During the year, judgments were 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 2014 in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. Any adjustment found to be necessary would affect the Group's net loss for the year ended 31 December 2014 and the Company's and the Group's net assets as at that date, and the related disclosures in the financial statements. Due to the same limitation of scope, we expressed a qualified opinion in our audit report in respect of the consolidated financial statements of the Group for the prior year ended 31 December 2013 and the Company's statement of financial position as at 31 December 2013.

Impairment of investments in subsidiaries and amounts due from subsidiaries

As at 31 December 2014, the Company had recorded investments in subsidiaries of HK1,219 million and amounts due from subsidiaries of HK$2,968 million, in the statement of financial position. Due to the significant losses sustained by the subsidiaries during the year, we were unable to obtain sufficient appropriate evidence to assess whether these investments and amounts due from subsidiaries were impaired at 31 December 2014. Any provision for impairment found to be necessary would have an effect on the Company's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the financial statements.

Fundamental uncertainties relating to going concern

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a consolidated net loss of HK$3,771 million during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$5,261 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.

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 of the Company as described in note 2.1. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern 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.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of these financial statements. 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 amounts other than those currently recorded in the consolidated and the company statements of financial position as at 31 December 2014. 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.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

In view of the fluctuating macroeconomic environment in the agricultural sector, together with the downward cycle of animal feed industry adversely impacted by various animal deceases problems, the Group faced heavier challenges throughout 2014 both in production and operations and recorded a net loss of HK$3,771 million for the year ended 31 December 2014.

A significant factor to the Group's poor performance was the expensive cost of corn kernel, which was mainly influenced by government protective policy towards the sector and corn farmers. The high domestic corn price leads to unfavorable business environment for corn refinery industry, hence, forcing a number of corn refiners including our manufacturing facilities to suspend production.

Moreover, market volatility in animal feed industry depressed the demand for amino acids products, and overcapacity of lysine products had severely squeezed margins in the amino acids industry. The Group has taken the decision to suspend the manufacturing facility located in Lu Yuan District, Changchun and also to scale down production volume at the production site located at Dehui production site in order to minimize the loss in the lysine business sector. Nevertheless, reduced utilization of production posed additional pressure in margin from increased operating cost of overhead items.

Polyol chemicals business has been suspended since the second quarter of the year, due to unsupportive commercial viability in light of high raw material cost compiled with a relatively low cruel oil price that sustains the low-priced traditional polyol chemicals in both worldwide and domestic markets. Both the operational and research & development teams of the Group are concentrating additional effort in pursuing a feasible solution and opportunity to utilise the existing facilities.

In addition, the Group has not been able to maintain a satisfactory standard of internal control system and discovered oversights in compliance during the auditing period for the year of 2014. Remedial actions taken and to be taken by the management of the Group and management relevant response are explained below.

MANAGEMENT'S RESPONSE TO THE INDEPENDENT AUDITOR'S REPORT AND REMEDIAL MEASURES TO BE TAKEN

The following are the management's response to the independent auditor's report from the external auditors of the Company:

Impairment of non-current assets

The Group has suspended the production facilities in Lu Yuan district, Changchun due to relocation of its production facilities located in Lu Yuan District. The directors of the Company have been actively negotiating with the Changchun Land Reserve Centre, to agree on the compensation for the resumption of the subject land, buildings, machinery and fixtures erected thereon. Based on mutual framework agreements reached by both parties on 21 August 2014, both parties have reached a preliminary understanding on the intention of the resumption of land. It was the parties' understanding that the compensation shall be determined based on the valuation to be performed by valuer to be appointed by Changchun Land Reserve Centre and the Land Acquisition Reserved Transaction Fund Verification Centre. Before reaching final agreement, the management believes that it is not necessary and do not have sufficient fundamentals to justify an assessment report on non-current assets. Hence, no impairment assessment to be made during the relocation and negotiation period.

Financial guarantee contracts

Reference is made to the announcement of the Company dated 31 March 2015.

In order to avoid recurrence of the incidents as set out therein and to ensure proper compliance with the Listing Rules in future, the following remedial measures have been or will be taken by the Group:

(1) with immediate effect, all loan, guarantee and security documents to which any member of the Group (excluding the GSH Group) is expressed as a party are required to be approved by the Board before they may be entered into and a notice regarding the approval procedure has been circulated to all relevant handling staff of the Group (including the legal representatives of all PRC subsidiaries) and a monthly checklist is required to be completed by the relevant handling staff to ensure compliance with the relevant procedures;

(2) the management will ensure complete separation and independence of management in the PRC subsidiaries of the Company from that of the GSH Group. With immediate effect, the finance managers of all PRC subsidiaries of the Company will be under direct supervision of the Head of Finance of the Group in the PRC, who reports directly to the financial controller of the Company in Hong Kong. Financial chops will be under the custody of finance manager and approval should be sought from the Head of Finance of the Group in the PRC for usage of the chop;

(3) the Company will appoint a firm of independent professionals to identify the weaknesses in its internal procedural control system that resulted in the Supplier Guarantees not having been brought to the attention of the Company and recommend on any corrective or enhancement procedures required;

(4) the Company will make the disclosures in its interim and/or annual report as and to the extent required under Rule 13.20 of the Listing Rules in respect of the Supplier Guarantees;

(5) training will be provided to the relevant handling staff including the financial controller of the Group in the PRC in relation to the requirement under the Listing Rules concerning provision of financial assistance;

(6) disciplinary actions against those involved in the breaches of procedures; and

(7) the Company will seek legal advice from time to time as and when necessary.

Inventories loss

In relation to the background, reasons and relevant remedial measures undertaken by GSH Group in connection with the captioned matter, shareholders of the Company and potential investors are advised to refer to the announcement of the final results of GSH which is expected to be published on 31 March 2015.

Inventories

In relation to the background, reasons and relevant remedial measures undertaken by GSH Group in connection with the captioned matter, shareholders of the Company and potential investors are advised to refer to the announcement of the final results of GSH which is expected to be published on 31 March 2015.

Additionally, the Group will adopt more stringent procurement control procedures, logistic control and storage policy to ensure all book keeping and delivery/transportation document are managed by both the procurement department and finance department for inventories that we kept at locations outside of the Group’s premises. Monthly reports will also be made available for finance department.

Prepayment and other receivables

In relation to the background, reasons and relevant remedial measures undertaken by GSH Group in connection with the captioned matter, shareholders of the Company and potential investors are advised to refer to the announcement of the final results of GSH which is expected to be published on 31 March 2015.

Due to a suspension of lysine production by Changchun Baocheng Bio-chem Development Co. Ltd., a subsidiary of the Group, and the scaling down of production of corn starch at Changchun Dihao Food stuff Development Co. Ltd., a subsidiary of GSH Group, corns were returned at their original purchase price to Dajincang. Due to staff turnover, management could not locate the warehouse books and records of these corn kernels transactions.

To enhance book keeping and monitoring system, the management will implement the following approaches:

— The management will engage an independent consultant to review and advise on the Group's structure and processes to fill and avoid any loophole in internal control.

— The Group will restructure the internal control department to design, update and monitor the implementation of internal control procedures to ensure the completeness of books and records in future. Proper and update training will be provided for the personnel in the internal control department. This Hong Kong Headquarters will monitor the functions and duties of this internal control department directly and a quarterly meeting will be held between Hong Kong Headquarters and the internal control department to ensure proper functioning of internal control procedures.

Recoverability

— Due to the suspension of production in the Lu Yuan site, the corn inventory in Changchun is susceptible to mildew and deterioration. As such, management decided to return the corn inventory to the supplier, Dajincang, on terms that it will either secure the supply of corn kernels upon resumption of production of the Changchun facilities or refund the price of the corn kernels returned.

— The sales return agreement was signed on 31 December 2014. At that time, management was not aware of the financial situation of Dajincang and the provision of bank guarantee to Dajincang by the Group.

— The Group is determined to strengthen its credit control for its operations in the PRC. Credit rating of all suppliers must be conducted before engagement of suppliers. Credit terms offered should be in line with credit rating of the relevant suppliers.

Accounts payable

Low Response Rate of Suppliers

After consulting PRC lawyers on the risk of possible legal actions, circulation of the accounts payable confirmation was temporarily held up as management was under legal advice to do so in order not to trigger suppliers to chase the Group to settle outstanding balances. After discussion, management proceeded to carry out the circularization procedures with major suppliers on 3 March 2015.

The Group will enhance the procedures to ensure the accuracy of account payables including complete filing of relevant contracts, invoices and monthly statements for creditors' confirmations. Hong Kong team will monitor the internal control department quarterly to ensure proper functions including payment instruction to suppliers and payment balances.

Impairment of non-current assets

The Group has suspended operations of its production facilities at Lu Yuan district, Changchun pending a relocation of its production facilities located to its Xinglongshan site. The directors of the Company have been actively negotiating with the Changchun Land Reserve Centre to agree on the compensation payable for the resumption of its lands and buildings at its Lu Yuan district facilities. Base on mutual framework agreements reached by both parties on 21 August 2014, whereby both parties have reached a preliminary understanding on the intention of the resumption of land. It was the parties' understanding that the compensation shall be determined based on the valuation to be performed by valuer to be appointed by Changchun Land Reserve Centre and the Land Acquisition Reserved Transaction Fund Verification Centre. Before reaching final agreement, management believes that it is not necessary and do not have sufficient fundamentals to justify an assessment report on non-current assets. Hence, no impairment assessment to be made during the relocation and negotiation period.

Litigation

As per the judgment concluded by the court that the Group were in violation of an injunction and a penalty was imposed, the management has been seeking legal advice in relation to the above judgment, which there is no further statement or exact penalty updated that can be quantified. Management will continue to monitor the complaints, any further indication from the court and seek legal advice on the possible penalty.

Impairment of investments in subsidiaries and amounts due from subsidiaries

Management report of each subsidiary has been prepared quarterly and is reviewed by the financial department of the Group. In view of the performance of the business, the board of directors will review with the financial department these quarterly report and ask for monthly management reports to be prepared for review.

Fundamental uncertainties relating to going concern

To weather the challenges brought along by the volatile market environment, the Group will undertake sensible strategies in managing the operation plan and strategies in improving the financial status of the Group.

The Group is in active negotiations with the local government to confirm the relocation compensation, and in active negotiation with banks to obtain adequate bank borrowings to finance the Group's operations.

In reacting to unsteady market demand and trimmed lysine average selling price, utilisation of production facilities will be adjusted cautiously to best fit market sentiments but also taking measures in cost controls with the aim to attain positive cash flow.

FINANCIAL PERFORMANCE

The price of our major raw material, corn, trended up supported by the government's stockpiling and auction policies and its incentive program in subsidizing corn prices and shifting northern commodities to the southern area, despite an abundant supply within the domestic market.

During the year under review, operations of both the amino acid business and corn refinery remained challenging, and the polyol business is expected to be difficult in 2015 for the near term. The management of the Group will focus on re-structuring the operational structure in various ways in order to increase competitiveness of its major business in the amino acid segment, and explore the feasibility of other utilisation of its chemical facilities. The Group will continue to have discussions with strategic and financial investors for possible co-operative ventures and proposals.

Group Financial Performance

(Revenue: HK$6.4 billion (2013: HK$9.7 billion))
(Gross loss: HK$890 million (2013: HK$901 million))
(Net loss: HK$3,771 million (2013: HK$6,242 million))

During the year under review, the decline in financial performance was mainly due to the decline in the average selling prices of and demand for the Group's products. In particular, sale of the Group's lysine products was affected by the intense market competition. The average cost of corn kernels increased by approximately 1% to approximately HK$2,588 (2013: HK$2,559) per metric tonne ("MT") compared with last year.

Amino acids segment

(Revenue: HK$3.4 billion (2013: HK$5.6 billion))
(Gross loss: HK$511 million (2013: HK$404 million))

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

During the Year, the revenue of this segment decreased by approximately 40%, which were mainly attributable to the heavy pressure on average selling price, and decrease in demand for the products.

The revenue and gross loss of amino acids major products, such as lysine, protein lysine and threonine, amounted to approximately HK$2.1 billion (2013: HK$4.4 billion) and approximately HK$312 million (2013: HK$160 million) respectively, and accounted for approximately 33% (2013: 45%) of the Group's total revenue.

Among the major products, lysine products contributed the most to the Group's operations, which are applied as an additive in animal feed. The average selling price of lysine continued a downward trend since the last quarter of 2012 with a significant increase in the gross loss of approximately 12% as compared with last year. This downturn cycle is mainly attributable to the additional production capacity in the market and adverse impact from the H7N9 bird flu outbreak. The sales volume reported a drop of 44% due to a declining demand from animal feed market and heavy market competition.

The modified starch products within the segment recorded revenue of approximately HK$88 million (2013: HK$252 million) and a gross loss of approximately HK$2.3 million (2013: Gross profit HK$2.7 million) due to increasing production costs.

During the year, increase in sales volume of corn refined products by approximately 35% resulted in the revenue to increase by approximately 24% as compared with last year, which amounted to approximately HK$1,230 million (2013: HK$990 million). The gross loss and gross loss margin of the upstream corn refined products were approximately HK$196 million (2013: HK$136 million) and approximately 16% (2013: 14%) respectively.

Polyol chemicals segment

(Revenue: HK$537 million (2013: HK$996 million))
(Gross loss: HK$189 million (2013: HK$634 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 33% to approximately 100,010 MT (2013: 149,235 MT) compared with last year. The Revenue decreased by approximately 39% to approximately HK$220 million (2013: HK$360 million) and gross profit increased by approximately 52% to approximately HK$3 million (2013: Gross profit HK$2 million).

During the year, in light of reduced utilization of the production facility, the sales volume of the corn refined products decreased by approximately 45% to approximately 35,144 MT (2013: 64,063 MT) as compared with last year. During the year, revenue decreased by approximately 46% to approximately HK$86 million (2013: HK$159 million) and the gross loss decreased by approximately 86% to approximately HK$6 million (2013: HK$44 million). The gross loss margin was approximately 7% (2013: 27%).

The polyol chemicals products generated revenue of approximately HK$123 million (2013: HK$206 million) and contributed gross loss amounting to approximately HK$140 million (2013: HK$507 million). Such result was driven by consequential decline in market prices of chemical products due to unfavorable market conditions in the chemical industry. The market selling price of chemical products has been dropping dramatically since second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals amounted to approximately HK$173 million at 31 December 2014 (2013: HK$301 million) was made. As a result, this business recorded a gross loss margin of approximately 114% (2013: 246%) during the Year. In view of the challenging operating conditions of the polyol chemicals business, the production of polyol chemicals has been suspended since April 2014.

Ammonia is a product launched by the Group since 2013. The revenue and gross loss of ammonia are approximately HK$108 million (2013: HK$270 million) and HK$47 million (2013: HK$86 million) respectively. Most of the ammonia was supplied to the amino acids segment for production use.

Corn sweeteners segment

(Revenue: HK$2,920 million (2013: HK$4,200 million))
(Gross loss: HK$190 million (2013: Gross profit: HK$138 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", together with its subsidiaries, the "GSH Group"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Stock Exchange.

The operating environment of corn sweeteners was depressed by the increased raw material costs during the Year. The sales volume dropped by approximately 32% and revenue of corn sweeteners division decreased by approximately 30% as compared with the last year. The gross loss from this segment increased to approximately HK$190 million (2013: Gross profit: HK$138 million), with a gross loss margin of approximately 6.5% (2013: Gross profit margin: 3.3%).

Consolidated results by product series

The consolidated revenue of the Group's products sold to external customers decreased substantially by approximately 34% and gross loss slightly decreased by approximately 1% respectively during the Year, which were mainly attributable to the drop in average selling prices and market demand. 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 2014

Product series	**Sales volume**	**Average selling price**	**Average cost of goods sold**	**Revenue**	**Gross profit/(loss)**
	MT	*HK$ per MT*	*HK$ per MT*	*HK$'000*	*HK$'000*
Upstream products	**861,922**	**3,103**	**3,778**	**2,674,940**	**(581,585)**
Downstream products					
Amino acids	**331,605**	**6,294**	**7,103**	**2,087,188**	**(268,140)**
Modified starch	**18,747**	**4,689**	**4,806**	**87,900**	**(2,189)**
Polyol chemicals	**33,594**	**3,648**	**8,072**	**122,543**	**(148,621)**
Ammonia	**11,268**	**2,726**	**4,390**	**30,717**	**(18,747)**
Corn sweeteners	**394,644**	**3,537**	**3,209**	**1,395,917**	**129,560**
Total				**6,399,205**	**(889,722)**

For the year ended 31 December 2013

Product series	Sales volume *MT*	Average selling price *HK$ per MT*	Average cost of goods sold *HK$ per MT*	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)

Export Sales

During the year, the Group generated revenue of approximately HK$1,213 million (2013: HK$2,527 million) from export sales, which accounted for approximately 19% (2013: 26%) of the Group's total revenue, representing an decrease of approximately HK$1,314 million or approximately 52% as compared with 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 23% in total sales volume of the Group, the selling and distribution costs amounted to approximately HK$551 million (2013: HK$762 million), representing a decrease of approximately 28% as compared with last year. However, the ratio of such operating expenses over the Group's revenue surged up to approximately 9% (2013: 8%) as the revenue of the Group decreased by approximately 34% as compared with last year.

The administrative expenses of approximately HK$836 million (2013: HK$717 million), representing an increase of approximately 17%. Nevertheless, the ratio of such administrative expenses to revenue increase to approximately 13% (2013: 7%), due to the temporary suspension of polyol chemicals production since April 2014 in view of unfavourable market conditions, and the production costs of polyol chemicals during that year amounting approximately HK$150 million (2013: Nil) was re-allocated to administrative expenses.

Moreover, having considered (i) the current operating environment of the Group's lysine business, in particular the market demand and the average selling prices of lysine products and (ii) the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, operation of the lysine production facilities currently operated by Changchun Baocheng Bio-chem Development Co, Ltd. ("Baocheng") with annual production capacity of 200,000 MT has been suspended since April 2014, the production costs of Baocheng was re-allocated to administrative expenses.

The other operating expenses for the Year amounted to approximately HK$1,233 million (2013: HK$3,520 million) mainly comprising of legal costs and compensation expenses of approximately HK$18 million (2013: HK$10 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$17 million (2013: HK$14 million) due to the development of new series of lysine products, the provision for doubtful debts of approximately HK$266 million (2013: Provision of doubtful debts written back: HK$77 million) for the long overdue debtors, and the impairment of long-term assets of approximately HK$262 million (2013: HK$3.4 billion) in respect of certain production facilities of GSH. During the current year, Baocheng, a member of the Group, scraped coal with the cost of approximately HK$25 million, and recoginsed loss of HK$30 million (2013: Nil). Besides, Changchun GBT Bio-Chemical Co., Ltd., a member of the Group, purchased an approximate of 101 MT of catalysts for the production of polyol chemicals had remained unused and had expired. A provision was made for impairment of approximately HK$77 million as of 31 December 2014 (2013:Nil) and the value-added tax paid for such catalysts in the amount of approximately HK$13 million during the year ended 31 December 2014 (2013: Nil).

During the Year, the finance costs of approximately HK$628 million (2013: HK$673 million) decreased by approximately 7% as compared with last year. However, it is anticipated that the heavy pressure from finance costs will remain endurable for the year 2015.

The total income tax amounting to approximately HK$58 million (2013: HK$223 million) was charged for the year representing a decrease of approximately 74% over last year.

Loss shared by non-controlling shareholders

During the Year, GSH recorded a loss of approximately HK$1,093 million (2013: HK$320 million), which gave rise to the loss shared by the non-controlling shareholders of GSH to amount to approximately HK$393 million (2013: HK$115 million).

During the Year, Changchun Wanxiang Corn Oil Co., Ltd ("Changchun Wanxiang"), which is a wholly foreign owned enterprise established in the PRC and a member of the Group, was principally engaged in the manufacture and sales of corn oil. Changchun Wanxiang recorded a loss of HK$12 million (2013: HK$3 million) in which gave rise to the loss share by the non-controlling shareholders of Changchun Wanxiang to amount to approximately HK$6 million (2013: HK$2 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2014 decreased by HK$1.1 billion to approximately HK$8.7 billion (2013: HK$9.8 billion). The net borrowings decreased to approximately HK$7.9 billion (2013: HK$8.4 billion). Cash and cash equivalents plus pledged deposits decreased by approximately HK$695 million to approximately HK$749 million (2013: HK$1,444 million) as compared to the cash level as at 31 December 2013.

Structure of interest bearing borrowings

As at 31 December 2014, the Group's bank and other borrowings amounted to approximately HK$8.7 billion (2013: HK$9.8 billion), of which approximately 1% (2013: 1%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 99% were denominated in Renminbi ("RMB"). The average interest rate during the Year was approximately 7.2% (2013: 6.9%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 69% (2013: 51%), approximately 27% (2013: 43%) and approximately 4% (2013: 6%), respectively. The changes were mainly due to the decrease of approximately RMB1.9 billion loans repayable in the second to the fifth years. 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 improved at approximately 33 days (2013: 53 days). Meanwhile, the trade creditor's turnover days increased to approximately 100 days (2013: 77 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 42 days (2013: 115 days), simultaneously, the Group's stock level was decreased to approximately HK$844 million (2013: HK$3,342 million) during the Year.

The decrease of inventories of approximately HK$2,498 million when compared to the position as at 31 December 2014, the current ratio and the quick ratio worsen to approximately 0.4 (2013: 1.0) and 0.4 (2013: 0.6) respectively. Moreover, due to changes in classification from long term to short term borrowings during the Year, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent plus pledged deposits) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 631% (2013: 164%) and to approximately 966% (2013: 196%) 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 63% (2013: 52%) and 691% (2013: 192%) 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 SWAP was early settled on 2 April 2014. 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 2014.

LITIGATIONS

As at the date of this announcement, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") are involved in certain litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members.

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 earlier judgment of August 2007 ("Earlier 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 amounted to EUR70,000.

As at the date of this announcement, the Plaintiffs have requested for a total amount of EUR310,000, consisting (i) a penalty of EUR240,000 for violation of the Earlier Judgment, and (ii) EUR70,000 of the cost of proceedings, which have been paid for by the Group to the Plaintiffs. On 12 August 2014, the Plaintiffs have started follow-up proceedings on the merits by serving a writ of summons on the Relevant Group Members. A formal docket session was scheduled to take place on 10 December 2014.

Previous judgment concerning EP '710, EP '712 and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

The Dutch Courts have ruled that the Relevant Group Members have committed infringement of EP '710, EP '712 and EP '912, which judgment is final. The Relevant Group Members disputed to the first instance costs of approximately EUR1,000,000 claimed by the Plaintiffs. A decision has been rendered by the Court on 27 August 2014, which the Court awarded the Plaintiffs the said amount of costs. The Directors have been advised by the Group's legal counsel that the judgment is immediately enforceable. During the Year, provision for such costs has been made by the Group.

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 filed a response to the aforementioned counterclaim on 5 March 2014 and an oral hearing took place on 13 June 2014. On 10 September 2014, the Group received judgment from the District Court of The Hague, the Netherlands which has rejected all the claims made by the Plaintiffs.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiff are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members which payment is immediately enforceable. Further, the Court has also allowed part of the counterclaim made by the Relevant Group Members.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has grounds to defend the claims. Therefore, no provision for other infringement compensation is considered necessary. Save as disclosed above, there was no material contingent liability of the Group as at 31 December 2014.

RESUMPTION OF LAND, BUILDINGS, MACHINERIES AND FIXTURES

Reference is made to the circular of the Company dated 7 May 2014 and the announcements of the Company dated 7 January 2014, 13 January 2014 and 27 August 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 have developed rapidly, on 30 December 2013, the Group entered into three compensation agreements with the Changchun Land Reserve Centre（長春市土地儲備中心）(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. On the same date, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group agreed to the resumption of a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC. On 31 December 2013, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group has agreed to the resumption of the buildings and fixtures erected thereon.

As approved by the shareholders of the Company at an extraordinary general meeting held on 23 May 2014, the Group has entered into a compensation agreement with the Land Reserve Centre for the resumption of buildings, machineries and fixtures erected on a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC.

The production facilities of the GBT Group and the GSH Group currently located on both the west 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 commenced construction of the production facilities and installation of new equipment in Xinglongshan in the third quarter of 2014 and commercial production at the new site in Xinglongshan shall commence by the first half of 2015.

As announced by the Company on 27 August 2014 and 31 March 2015, the Group is in the course of negotiation with the Land Reserve Centre on the terms of the resumption of the land located on the east side of Xihuancheng Road, Changchun, the PRC. No formal agreement has been entered into between the parties but the parties have reached a preliminary understanding on the intention of the resumption of land. It is the parties' understanding that the compensation will be determined with reference to the valuation to be performed by a valuer to be appointed by the Land Reserve Centre. Based on a preliminary estimation by the Board, it is expected that the formal agreement(s), once entered into between the parties, may constitute a very substantial disposal transaction of the Company under Chapter 14 of the Listing Rules. The Company will make an announcement and comply with the relevant requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") once the formal agreement(s) shall have been finalized or signed.

SUSPENSION AND RELOCATION OF PRODUCTION OPERATIONS AT LU YUAN DISTRICT, CHANGCHUN AND SUSPENSION OF POLYOL CHEMICALS PRODUCTION

In view of current market conditions, the GSH Group will be taking the opportunity to relocate its production facilities for downstream products at Lu Yuan District of Changchun to its Xinglongshan site. Coupled with the temporary halt of production of upstream products as announced on 31 March 2014, the GSH Group will not be manufacturing any products at its production facilities in Lu Yuan District until it has completed the relocation of its production facilities to Xinglongshan and market conditions improve. Its operations at Shanghai and Jinzhou will, however, continue.

Also, due to unfavorable market conditions, the production of polyol chemicals at the production plant of the Group has been suspended since April 2014. The production of polyol chemicals accounted for approximately 2.1% of the total revenue of the Group for the year ended 31 December 2013, and had an insignificant contribution to the Group's profit for the said period. As such, the Directors consider that the suspension of production of polyol chemicals products will not have material adverse impact on the operations and financial position of the Group.

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

Subsequent to the year ended 31 December 2014, the Group has published an announcement dated 31 March 2015 in relation to (1) the provision of financial assistance by the Group to a supplier to the Group, (2) possible disposal of lands and buildings by the Group, (3) suspension and relocation of production operations of the GSH Group in Lu Yuan District, Changchun, and (4) third party financial assistance provided by the GSH Group. Shareholders of the Company and potential are advised to read the aforementioned announcement of the Company, as well as the announcement of GSH dated 31 March 2015 in relation to the provision by the GSH Group of certain financial assistance to the Group and a supplier to the Group.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Reference is made to the announcements of the Company dated 6 February 2015 and 6 March 2015. On 5 February 2015, Mr. Li Defa tendered his resignation as an independent non-executive Director as he wishes to devote more time on his other work commitment. Following his resignation as an independent non-executive Director, Mr. Li also ceased to act as a member of the audit committee of the Company.

Following Mr. Li's resignation, the Company has only two independent non-executive Directors and the audit committee of the Company has only two members, which falls below the minimum number required under the Listing Rules. The Company is still in the course of finalizing the terms of appointment of a proposed independent nonexecutive Director. The appointment will be made as soon as such terms have been finalized and agreed between the Company and the proposed independent non-executive Director. The Company will make an announcement regarding the appointment in accordance with the Listing Rules as and when appropriate.

OUTLOOK

In light of uncertain market situations for the Group, the Group will undertake sensible strategies in managing the operation plan and decisions by taking into account of the financial status of the Group.

Although the amino acid market has been challenging throughout the Year since second half of 2013, the Group has laid a solid foundation and remain one of the leading player in the industry. The Group will take prudent control on the operations and utilize the most niches of technology and production know-how in sustaining the competitiveness. However, the management maintains to be open-minded and continue in discussion of any possible opportunity in jointly alliance with strategic partners or equity collaboration means.

Relocation of production facilities from Lu Yuan district, Changchun to Dehui District and Xinglongshan District, Changchun is expected to take place during this year and in the upcoming years. As the Changchun municipal government has been very supportive in assisting the Group's relocation of production facilities, further negotiation is underway with the Land Reserve Centre regarding the compensation for the rest of the Group's production plant in the central district of the city. Possible disposal of certain unused assets and land reserve consequential to the resumption shall also enable supplementary cash flow in supporting the objective in reducing gearing for better financial position.

In addition to the attention of market environment, the group will react immediately in strengthening the internal control management and consider it as one of the major task for 2015. The Group will appoint its auditors or a firm of independent accountants to identify the weaknesses in its internal procedural control system that resulted in the unsatisfactory management and issues brought up in the previous years and recommend on any corrective or enhancement procedures required.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2014, the Group had approximately 5,900 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 2014 (2013: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE 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 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 two independent non-executive Directors namely Mr. Chan Chi Wai, Benny (the chairman of the committee), Mr. Ng Kwok Pong.

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 2014 annual general meeting of the Company will be held at Room 302, on 3/F, Pico Tower, 66 Gloucester Road, Wanchai, Hong Kong on 22 May 2015 at 3:00 p.m. Notice of the 2014 annual general meeting will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 21 May 2015 to 22 May 2015, 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 20 May 2015.

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 2015

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

Executive Directors:	*Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Li Weigang, Mr. Wang Yongan and Mr. Ji Jianping*
Independent non-executive Directors:	*Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong*