GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809

ANNUAL REPORT 2012

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 800,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 210,000 mt
- Corn Refinery — 2.4 million mt

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

LIAONING

Annual Production Capacity:

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

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

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 340,000 mt

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

HONG KONG

Headquarter

mt: metric tonnes
m^2: metres square

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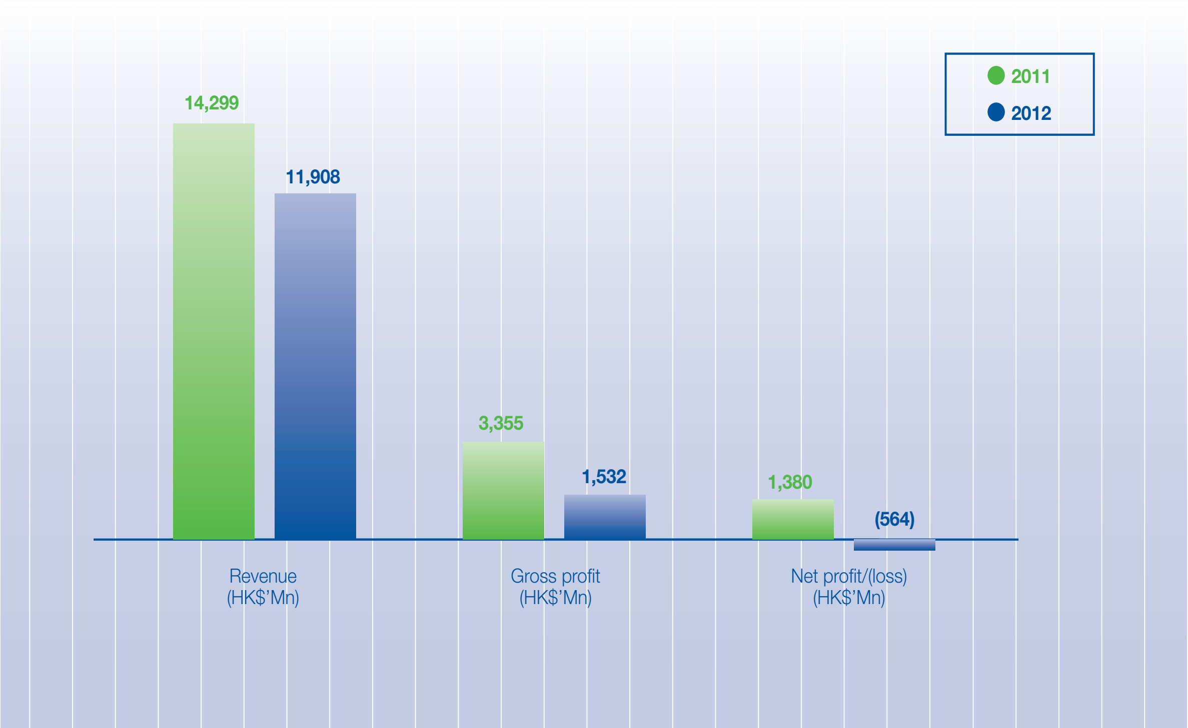
Financial Highlights



	2012	2011	Decrease
Revenue (HK$'Mn)	**11,908**	14,299	17%
Gross profit (HK$'Mn)	**1,532**	3,355	54%
Loss for the year from a discontinued operation (HK$'Mn)	**(120)**	(2)	N/A
Net profit/(loss) for the year from continuing operations (HK$'Mn)	**(564)**	1,380	141%
Net profit/(loss) attributable to owners of the parent (HK$'Mn)	**(555)**	1,310	142%
Basic earnings/(loss) per share (HK cents)	**(17.0)**	40.3	142%
Proposed final dividend per share (HK cents)	**–**	2.0	N/A

Corporate Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Cheung Kin Po, CPA Australia, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

KEY DATES

Closure of register of members:
For determining the entitlement of attend and vote at the AGM, 22 May 2013 to 23 May 2013 (both dates inclusive)
Annual general meeting:
23 May 2013

Message to Shareholders

Dear Shareholders,

2012 was a year of challenge. The world economy was clouded by volatile economic environment in the United States and pressure of sovereign debts in Europe. The tightened fiscal policy and restrained spending power in China had slowed down economic development in the country. The overall slowdown in the Chinese economy resulted in shrunken consumption and weakened demand. Impacted by mounting corn cost and lower product average selling price, the Group reported retreat in revenue and gross profit during the year under review.

During the Year under review, the average price of corn kernel, the major raw material for the Group's products, rose by approximately 12% year on year. The corn price remained at a high level for most part of the Year. In response to the volatile corn prices, the Group had adopted a more flexible corn stocking strategy during the Year. Apart from the increase in the price of corn kernel, the profit margin of the upstream product segment was further undermined by the rising utilities and transportation expenditures. The average selling price of upstream products on the other side of the equation was suppressed by oversupply from new capacities. Although the average selling price of the upstream products had slightly improved from that of the previous year, there was a significant shortfall between the growth rates of corn costs and upstream product average selling price. The segment thus posted a loss during the year under review due to accelerated production costs and intensified competition.

Amino acid business continued to be the main driver of the Group's performance. The Group's dominant position in amino acid products remained solid. It managed to achieve its sales target of 650,000 metric tonnes during the Year. The price of lysine had remained at a low level under the shadow of a depressed feedstock industry. As a result, the gross profit margin of the Group's amino acid product lines are affected.

The performance of polyol chemicals was affected by the suspension of production during the Year, as the facilities were being relocated to Xinglongshan, as such, contribution from polyol chemicals was insignificant. Furthermore, there was an additional provision of HK$121 million for closing inventories of polyol chemical by-products.

The corn sweetener division, which was operated through a separate listed subsidiary, recorded a net loss for the year under review as a result of climbing raw material costs and a substantial loss for the discontinuation of its beef retail business.

PROSPECT

In 2013, the global economy remains uncertain under the impact of the sovereign debt crisis in the Eurozone and the United States deficit issue. In Mainland China, the State government's sustainable measures in driving domestic consumption is expected to support a steady economic development. The Group believes economic growth in the PRC fuelled by the implementation of the Twelfth Five Year Plan since the fourth quarter of 2012 would strengthen the demand for commodities.

PROSPECT *(continued)*

Although the market for 2013 remains challenging, there have been signs of decreasing corn prices since the first quarter of the year. Given the high stock level of corn in the hands of farmers and a good harvest in the end of 2012, we expect corn prices to gradually stabilise or retreat in 2013. Average selling price of the Group's upstream products will remain under pressure in 2013. However, increased internal consumption and enhanced operation efficiency are expected to mitigate the impact.

Additional capacity of lysine that came on stream during the Year has been gradually digested by improved consumption from both the domestic and overseas markets. Growing concern and tightened government control on health of livestock have given rise to demand for lysine as animal feed. We are, therefore, confident in fully utilizing the Group's enhanced lysine annual capacity of 800,000 metric tonnes in near future in meeting the demand growth.

The Group's application of new bacterial strain and state-of-the-art technology, allow it to achieve capacity expansion without significant investment in facility development. To stay in the forefront of the industry, the Group continues to apply resources on research and development for extension of its product lines and improvement of productivity.

The production lines of polyol chemicals have resumed its opertaion since January 2013, the Group expects to broaden the sales of polyol chemicals in 2013 through enhancing products qualities and intensified marketing efforts. Furthermore, in order to fine-tune the polyol chemicals operations and to extend the market reach and application of its products, the Group is seeking to forge strategic alliance or partnership in both technological development and market penetration.

Research and development in technologies and related business constitutes a core component of the Group's corporate development plan. The Group is a pioneer in using corn stalk as raw material for further downstream processing. Satisfactory results have been obtained in using corn stalk as an alternate raw material for the production of polyol chemical products. The commercialisation in application of corn stalk in the future should be able to lower the Group's production costs as well as its reliance on corn kernel.

Given the vast area and well-developed infrastructure of its Xinglongshan project, the Group is considering collaboration with domestic and international players for further development of the project to achieve better efficiency and improve the Group's investment return.

As disclosed in the interim report, one of the Group's co-chairmen, Mr Xu Zhouwen passed away during the year. His contribution to the Group will be memorised by all members of the staff. The Group is in the process of consolidating its operation management by strengthening its board of directors and redesignating responsibilities among its management team.

Given the Group's leading position in the world's lysine market, in terms of both capacity and advanced know-how, it will be able to further enlarge its market share and influence under the challenging environment. The Group will continue to effectively control its costs via strengthened internal management and improved production flows, and strives to optimise the utilization of its facilities to achieve better economies of scale.

Liu Xiaoming
Chairman

27 March 2013

Management Discussion and Analysis

BUSINESS ENVIRONMENT

The global economic growth has slowed down in 2012, mainly due to the impact caused by the European debt crisis. Inevitably, China's economy encountered severe challenges under the complicated global economic environment. Growth of domestic GDP dropped to 7.8%, being the lowest in the past 13 years. Henceforth, economic growth in the PRC has been experiencing a slowdown in the first three quarters although lightly rebounded in the fourth quarter.

During the Year under review, the Group faced a challenging business environment. The price of corn increased steadily and maintained at a relatively high level throughout the Year, which was attributable to the strong demand for further processing and feed manufacturing in light of the increasing food demand in the PRC. On the other hand, there was a speculation of sharp decline in corn production in the United States coupled with the possibility of domestic corn pests whereby reducing the yield. The Group has been taking a strategy of maintaining reasonable stock level of corn kernels with the geographical advantages of the corn gold belt in securing stable supply of raw material.

Due to oversupply and de-stocking from the downstream customers which drove down the products' average selling prices and gross profit margins, the Group faced tough competition for its products in the domestic market, other than polyol chemicals. Export sales of the Group's products were stable in terms of volume and average selling prices. To adapt to the market changes in 2012, the Group continued to strengthen the management of operation infrastructure and optimize production management; strengthen business planning through clear positioning of business models and functional division of the business units.

Correlated to the market demand and prices of crude oil and petrochemical products, the Group's polyol chemicals witnessed the same pressure as that of other products in 2012. The average selling prices have been volatile, driven by the geo-polictical uncertainty and weakening demand due to the slowdown in macroeconomic growth globally. Deterioration in particular industries locally also affected the polyol chemicals business.

FINANCIAL PERFORMANCE

(Revenue: HK$11.9 billion (2011: HK$14.3 billion))
(Gross profit: HK$1.5 billion (2011: HK$3.4 billion))
(Net loss: HK$684 million (2011: Net profit HK$1,378 million))

The decline in financial performance was mainly due to (i) the gross loss in upstream and polyol chemicals businesses of the Group pressured by increasing raw material costs and slide in selling prices of the Group's downstream products; (ii) the impairment loss made by the Group for polyol chemicals due to the decrease in selling prices; (iii) the provision made by the Group for bad and doubtful debt for certain long overdue trade receivables; and (iv) the provision made by a non-wholly owned subsidiary of the Company in relation to its retail beef business.

Upstream products segment

(Revenue: HK$2.9 billion (2011: HK$4.0 billion))
(Gross loss: HK$68 million (2011: Gross profit HK$195 million))

During the Year, the average cost of corn kernels increased by approximately 12% to approximately HK$2,446 (2011: HK$2,187) per metric tonne while the average selling price of corn starch increased by approximately 2% to approximately HK$3,373 (2011: HK$3,291) per metric tonne, as compared to the corresponding period last year.

Together with the decrease of approximately 29% in sales volume of all upstream products, the revenue and gross profit decreased by approximately 27% and 135% respectively. The gross loss margin was approximately 2% (2011: Gross profit margin 5%) and the gross loss was caused by the significant decrease in contribution from corn starch of approximately HK$438 million to approximately HK$120 million (2011: HK$558 million) and the loss incurred of approximately HK$188 million (2011: HK$363 million) by the upstream by-products during the Year. Although the average selling prices for those upstream by-products had increased by approximately 3%, such increase could not offset the incremental costs of corn kernels and other related direct costs. The business model of upstream business is destined for a stable supplier to downstream high value added business.

FINANCIAL PERFORMANCE *(Continued)*

Downstream products segment

(Revenue: HK$9.0 billion (2011: HK$10.3 billion))
(Gross profit: HK$1.6 billion (2011: HK$3.2 billion))

The revenue and gross profit of downstream products decreased substantially by approximately 13% and 49% respectively during the Year, which were mainly attributable to the drop in average selling prices and the rise of average cost of goods sold of most of the downstream products. The changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Year as compared to last year are summarised as follows:

	Changes of downstream product series for the Year				
Product series	**Sales volume**	**Average selling price**	**Average cost of goods sold**	**Revenue**	**Gross profit**
Amino acids	14%	(19%)	1%	(8%)	(46%)
Polyol chemicals	(77%)	(13%)	49%	(80%)	(239%)
Modified starch	(7%)	2%	15%	(5%)	(68%)
Corn sweeteners	3%	(1%)	7%	2%	(32%)
Overall	1%	(13%)	3%	(13%)	(49%)

Among those downstream products series, the revenue and gross profit of amino acids for the Year amounted to approximately HK$6.5 billion (2011: HK$7.0 billion) and approximately HK$1.4 billion (2011: HK$2.6 billion) respectively, which accounted for approximately 54% (2011: 49%) and approximately 93% (2011: 78%) of the Group's total revenue and total gross profit respectively. With the increasing market competition and down cycle of animal feed market in the PRC, average selling price slid by approximately 19%, despite the sales volume increased approximately 14% by the success of the Group's sales effort. The gross profit was driven down by approximately 46% compared to last year.

The average selling price of modified starch division improved gradually by approximately 2% as compared to last year, owing to the steady recovery of the price of paper. However, the contribution of gross profit to the Group from this division decreased to approximately HK$16 million (2011: HK$52 million) due to the increase in costs during the Year.

FINANCIAL PERFORMANCE *(Continued)*

Downstream products segment *(Continued)*

The polyol chemicals division generated revenue of approximately HK$200 million (2011: HK$981 million) and contributed gross loss amounted to approximately HK$113 million (2011: Gross profit HK$81 million). Such minimal performance was mainly attributable to the relocation of polyol production facilities in progress, resulting in the decrease of sales volume by approximately 77% to approximately 25,000 metric tonnes (2011: 105,000 metric tonnes) during the Year. Besides, the unfavorable market sentiment of chemical products and crude oil price starting from the second quarter of 2012 had adverse impacts on the market prices of those related chemical products. The average selling price of polyol products decreased by 13%, as compared to the corresponding period last year. Moreover, an additional provision of closing inventories of polyol chemicals by-products amounted to approximately HK$121 million at 31 December 2012 (2011: Nil) was made. This division recorded a gross loss margin of approximately 56% (2011: Gross profit margin 8%) during the Year. As the production of polyol chemicals resumed in January 2013, and in view of the enhancement in the products output and quality together with the stability of crude oil price and the image of green products, the Directors believe that the polyol chemicals division would continue to operate steadily and profitably in the near future.

The operating environment of corn sweeteners was stable during the Year. The sales volume remained at similar level and revenue of sweeteners division increased by approximately 2% as compared with last year. However, the gross profit from this division dropped to approximately HK$265 million (2011: HK$387 million) during the Year which was mainly due to the increase in raw material costs.

Export sales

The Group generated revenue of approximately HK$3,012 million (2011: HK$2,746 million) from export sales representing an increase of approximately HK$266 million or approximately 10% as compared to the last year and it accounted for approximately 25% (2011: 19%) of the Group's total revenue. The significant change was due to the success of vigorous expansion of European market accompanied with the drop of average selling prices of PRC market.

Biological products segment

In relation to retail beef business operated by a non-wholly owned subsidiary of the Company, with the tightened food safety policy in China, immense pressure has been put on the supply chain management. The management of the subsidiary of the Company anticipates higher risks may be exposed to, and uncertainties may arise during the procurement of raw materials. Therefore, decisions were made to withdraw from the retail beef business, as it is considered that such would eliminate the risks of quality assurance and enable the Group to channel its resources to the core corn based businesses. As a result, provisions have been made on long outstanding trade receivables and obsolete inventories, and the loss attributable to the retail beef business during the Year amounted to approximately HK$120 million. Despite the provision in relation to the retail beef business, the Group will endeavour to recover these trade receivables. As the Group has decided to withdraw from its retail beef business, this segment has been presented as discontinued operation with a net loss of approximately HK$120 million (2011: Net loss of HK$2 million).

FINANCIAL PERFORMANCE *(Continued)*

Product segment

The revenue and gross loss of upstream products accounted for approximately 25% (2011: 28%) and approximately 4% (2011: Gross profit 6%) of the Group's total revenue and total gross profit respectively. Although there was no significant change in revenue on product segments, the pressure from increasing cost of corn kernels has laid the upstream business to a loss making status.

Operating expenses, finance costs and income tax expense

Despite the decrease of approximately 14% in total sales volume of the Group, the selling and distribution costs amount to approximately HK$770 million (2011: HK$720 million), representing an increase of approximately 7% over last year. However, the ratio of such operating expenses over the Group's revenue surged up to approximately 6% (2011: 5%) as the revenue of the Group decreased by approximately 17% over last year.

The administrative expenses of approximately HK$459 million (2011: HK$438 million), representing an increase of approximately 5%. Nevertheless, the ratio of such administrative expenses to revenue remained at similar level, due to the Group's continual effort in imposing stringent control over such expenses.

The other operating expenses for the Year amounted to approximately HK$367 million (2011: HK$104 million) mainly comprising of legal expenses of approximately HK$11 million (2011: HK$15 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$119 million (2011: HK$12 million) due to the development of new series of lysine products, the provision for doubtful debts of approximately HK$120 million (2011: HK$12 million) for the long overdue debtors; and amortisation for long term receivables of approximately HK$31 million (2011: nil).

Owing to the rise of interest rate and a notional interest of approximately HK$99 million (2011: HK$55 million) included for the put option granted to an investor as announced by the Company in May 2011, the finance costs of approximately HK$585 million (2011: HK$522 million) increased by approximately 12% as compared to the corresponding period last year. However, it is anticipated that the heavy pressure from finance costs will remain endurable for the year 2013.

One of the Group's subsidiaries in Changchun was approved as an advanced and new technology enterprise by the People's Government of Jilin Province enjoying a preferential income tax rate of 15% till the year 2013. In view of the weak operating performance, income tax amounting to approximately HK$11 million (2011: HK$336 million) was charged for the Year representing a decrease of approximately 97% over last year.

FINANCIAL PERFORMANCE *(Continued)*

Profit shared by non-controlling shareholders

During the Year, Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") recorded a loss of approximately HK$254 million (2011: Profit of HK$143 million) in which gave rise to the loss shared by the non-controlling shareholders of GSH amount to approximately HK$89 million (2011: Profit of HK$68 million).

During the year, Changchun Dacheng Bio-tech Development Co., Ltd ("Dacheng Bio-tech") and Changchun GBT Bio-Chemical Co., Ltd. ("JBT") recorded a profit of approximately HK$24 million (2011: HK$10 million) and loss of approximately HK$242 million (2011: HK$25 million) respectively in which gave rise to the profit shared by the non-controlling shareholders of Dacheng Bio-tech amount to approximately HK$7 million (2011: nil) and the loss shared by the non-controlling shareholders of JBT amount to approximately HK$41 million (2011: nil).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2012 decreased by HK$0.4 billion to approximately HK$8.2 billion (31 December 2011: HK$8.6 billion). The decrease was due to the early redemption of the CNY450,000,000 7.0% guaranteed bonds due 2014 issued by the Company on 16 May 2011 which were listed on the Singapore Exchange Securities Trading Limited ("Bonds") in the principal amount of RMB414,600,000. The net borrowings increased to approximately HK$6.9 billion (31 December 2011: HK$6.4 billion). Cash and cash equivalents decreased by approximately HK$954 million to approximately HK$1,266 million (31 December 2011: HK$2,220 million) as compared to the cash level as at 31 December 2011 mainly due to the capital expenditure on the project expansion in Xinglongshan.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Structure of interest bearing borrowings

As at 31 December 2012, the Group's bank and other borrowings amounted to approximately HK$8.2 billion (31 December 2011: HK$8.6 billion), of which approximately 2% (31 December 2011: 4%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 98% were denominated in Renminbi ("RMB"). The average interest rate during the Year was approximately 7.1% (31 December 2011: 6.6%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 41% (31 December 2011: 66%), approximately 48% (31 December 2011: 11%) and approximately 11% (31 December 2011: 23%), respectively. The changes were mainly due to the renewal of certain bank loans with 2 year or more repayment terms and an additional of a RMB416 million loan with 10-year repayment terms was granted especially for the Xinglongshan project during the Year. Pursuant to a loan agreement entered into between a subsidiary of GSH ("Borrower") and China Construction Bank ("Lender") in respect of a two-year fixed term loan in the amount of RMB200 million due August 2014 guaranteed by the Company ("Loan"), the Borrower is required to satisfy certain financial covenants, among others, that its gearing ratio should not be higher than 75%, current ratio should not be below 1.0 and contingent liabilities should not be higher than 50% of its net asset value, failure to perform or comply with any of those financial covenants entitles the Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable.

As announced by the Company on 22 March 2013, the Borrower has failed to fulfill certain financial covenants under the Loan, namely, the gearing ratio, current ratio and contingent liabilities of the Borrower as of 31 December 2012 as it failed to achieve the minimum ratio requirement as prescribed above. Such breach entitles the Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the Loan to become immediately due and payable. As a result of the breach, the outstanding principal amount of RMB200 million was re-classified as wholly repayable within one year at 31 December 2012. In addition, such breach also triggers cross default provisions in other short term loan agreements entered into by the GSH Group in the aggregate outstanding principal amount of approximately RMB280 million, which are also guaranteed by the Company.

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 to approximately 48 days (31 December 2011: 64 days) due to better credit controls implemented. Meanwhile, the trade creditors turnover days increased slightly to approximately 46 days (31 December 2011: 40 days) because a tightened payment policy has been put in place by the Group during the Year. On the other hand, the lessened inventory level of corn kernels as at 31 December 2012 and certain provisions were made for the inventories, the inventory turnover days improved to 128 days (31 December 2011: 154 days), simultaneously, the Group's stock level was decreased to approximately HK$3.6 billion (31 December 2011: HK$4.7 billion) during the Year.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

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

Despite the decrease of short term interest bearing borrowings of approximately HK$2.4 billion when compared to the position as at 31 December 2011, the current ratio and the quick ratio remained at similar level of approximately 1.2 (31 December 2011: 1.3) and 0.7 (31 December 2011: 0.7) respectively. It is because the decrease in short term borrowings was offset by the decrease of operating cash flow. Moreover, due to the decrease in cash and cash equivalents, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 62% (31 December 2011: 54%) and to approximately 72% (31 December 2011: 63%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity remained the same level to approximately 36% (31 December 2011: 36%) and 73% (31 December 2011: 73%) respectively. In view of the continual support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchange risk of the Bonds. Under the SWAP, the Group is liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 in return for 7% interest on the principal of RMB450 million semi-annually to 16 May 2014 and exchange the aforesaid US$69,875,776.40 into RMB450 million on 16 May 2014. The Directors believe that holding the SWAP to the maturity is the best interest to the Group. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Period and the Group did not have any material hedging instrument outstanding as at 31 December 2012.

DECEASE OF MR. XU ZHOUWEN

As announced by the Company on 20 August 2012, Mr. Xu Zhouwen ("Mr. Xu"), one of the co-Chairmen and executive director of the Company during the year under review, passed away on 20 August 2012. The Board considered that the decease of the late Mr. Xu will not have a material impact on the present operations of the Group.

REDEMPTION OF RMB450,000,000 7% GURANTEED BONDS DUE 2014

As announced by the Company on 8 November 2012, the Group proposed certain amendments to the terms and conditions of the Bonds, and sought the waiver of the rights of Bondholders' and HSBC, as trustee of the Bonds, in respect of all breaches and events of defaults under the terms and conditions of the Bonds. The Group also announced invitations to the Bondholders to offer to tender the outstanding aggregate principal amount of the Bonds to the Issuer for payment of a cash consideration ("Invitation to Offer").

On 10 December 2012, Bonds in the aggregate principal amount of RMB414,600,000 had been purchased by the Group pursuant to the Invitation to Offer and had been cancelled according to the terms and conditions of the Bonds. The principal aggregate amount of the outstanding Bonds amounted to RMB35,400,000.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently the respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, the Hague District Court, on 22 August 2007, handed down its judgment ("Judgment") that the Group's L-lysine products had infringed two patents of third parties and issued orders (i) prohibiting the Group from further infringement and the offer for sale, import and/or trade of any infringing products, L-lysine products in the Netherlands with immediate effect and (ii) compensate the damages of the plaintiffs to be assessed by the court. An appeal against the judgment was lodged, but an interim decision from the Hague Appeal Court dated 29 March 2011 had been received, which upheld the Judgment. An appeal has been filed by the Group with the Supreme Court of the Netherlands against the decision of the Hague Appear Court and the appeal writ was served in September 2011.

Nevertheless, the Group has developed a bacterial strain for production of its L-lysine products which is different from those of the subject of the Judgment but of the same quality, and has ceased to use the bacterial strain that is subject to the Judgment for production L-lysine products. Therefore, the Directors believed that the decision of the Hague Appeal Court will not have any material adverse impact on the sales, financial or trading position and prospects of the Group.

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

Save as disclosed above, there was no material contingent liability of the Group as at 31 December 2012.

FUTURE PLANS AND OUTLOOK

In view of the unsteady market environment with volatile demands and products prices and increasing market competition, the Group is expected to continue to face a challenging business outlook in 2013. The Group will continue to pursue a prudent approach in financial management and in capital expenditure while adopting market changes and stabilising operations and performance of the Group.

Corn prices are likely to remain high, while prices and sales of corn starch and corn refined products are likely to continue to be pressured by excessive supply. Substantial additional lysine capacities being released by major players will further intensify competition and suppress lysine market price. It is expected that corn market price will maintain at a high level at RMB2,200 to RMB2,400 per metric tonne in 2013. The lessen seasonality impact on corn prices means it is no longer necessary for the Group to lock up a substantial amount of capital for corn stock during the harvest season. The Group currently maintains a stock of corn kernel sufficient for three months of production. A more flexible raw material inventory level serves to mitigate the financial pressure on the Group.

In order to alleviate the impact of rising corn costs, the Group has been actively developing technology using corn stalk as a non-food raw material for the production of corn-refined products. The laboratory test of corn stalk application had been favourable. The Group will continue to deepen its research and development for the application of the new alternative raw materials in production to reduce its reliance on corn kernel.

Despite accelerated competition driven by new facilities, the Group shall continue to leverage its established distribution network and customer relationship to consolidate its leading market position. It plans to achieve a sales volume of 700,000 metric tonnes of amino acid products in the current year. Although the release of additional capacity will confine lysine market price surge, we believe there will not be any significant downside adjustment in the market price, as the absorbed production costs leave very little room for such price adjustment. Polyol chemicals resumed its production in the first quarter of 2013 and shall fine-tune to its designed annual capacity of 200,000 metric tonnes over time. The second phase of the construction of the polyol chemicals production facilities with designed annual capacity of 500,000 metric tonnes is under the pipeline of development plan with a flexible schedule to be adjusted in order to align with the operation performance of polyol chemicals business and corporate development of the Group. The Group is cautious with the production of polyol chemicals products and shall monitor closely the crude oil prices. In consideration of extending the accomplishment of the polyol chemicals business, the Group is seeking to forge strategic alliance or partnership in both technological development and market penetration.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2012, the Group had approximately 6,400 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, share option scheme, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

LIU Xiaoming aged 57, is the Chairman of the Group. He is responsible for the Group's overall business development, as well as the formulation of corporate direction and strategies. He holds a bachelor's degree in chemical engineering from the Hua Nan Polytechnic University. Mr. Liu was appointed as an executive director of the Company in 2001.

XU Zhouwen aged 70, was the former Co-Chairman of the Group. He was responsible for formulating and implementing the Group's product diversification strategies, managing the Group's product development and technology research, as well as supervising the Group's overall production and operations. He graduated from the Harbin Electric University in 1970. Mr. Xu was appointed as an executive director of the Company in 2001. Mr. Xu was appointed as an executive director of Global Sweeteners Holdings Limited, a subsidiary of the Company and the shares of which are listed on the main board of the Stock Exchange, in October 2010. He was the father of Ms. Xu Ziyi, an executive Director. Mr. Xu passed away on 20 August 2012.

XU Ziyi (formerly known as Xu Yi), aged 42, is an executive Director appointed on 2 April 2012. She is responsible for overseeing the marketing and sales operating functions of the Group. Ms. Xu has worked with the Group since 2005. Ms. Xu graduated from Jilin University in 1991, majoring in Corporate Management. She furthered her studies at the University of Central England in Birmingham, and graduated with a Master of Business Administration (Finance) with Commendation in November 2005. Ms. Xu was the daughter of the late Mr. Xu Zhouwen, the former Co-Chairman of the Group and a former executive Director, and is the daughter of Mr. Zhang Xiuzhen, a senior management of the Group.

WANG Guifeng aged 62, is responsible for overseeing the finance, management accounting and treasury functions of the Group. Ms. Wang graduated from Changchun Vocational University, majoring in industrial accountancy. She is a member of the Chinese Institute of Certified Public Accountants with over 20 years of experience in accounting and financial resources management. Ms. Wang joined the Group in 2006 and she was appointed as an executive Director in September 2010. Ms. Wang was an executive director of GSH until September 2010.

ZHANG Fusheng aged 40, was responsible for the marketing and sales functions of the Group and he has over 12 years of experience in production, sales and marketing in the PRC. He was accredited as one of the Ten Outstanding Youth Entrepreneurs by Changchun City in 2004. Mr. Zhang graduated from Commerce Department of Jilin University, majoring in business administration. Mr. Zhang resigned as an executive director of the Company on 2 April 2012.

CHEUNG Chak Fung aged 48, was the financial controller of the Group. He has over 20 years' experience in financial reporting, budgetary control and secretarial practice. He has worked with the Group since 2000. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. Mr. Cheung retired as an executive director of the Company on 8 May 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 52, is a Certified Public Accountant and has been practising since 1990. Graduated from the University of Sunderland, the United Kingdom, he holds a Bachelor of Arts Degree in Business Studies. He has over 23 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently a committee member of consumer council of Hong Kong. He was appointed as an independent non-executive director of the Company in 2001. Mr. Lee was an independent non-executive director of FAVA International Holdings Limited (resigned in November 2011) a listed company in Hong Kong.

CHAN Man Hon, Eric aged 56, is a solicitor and has been practising in Hong Kong for over 28 years. Mr. Chan holds a bachelor's degree in law from the University of Hong Kong and a master's degree in Business Administration from The Chinese University of Hong Kong. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1981 and is a consultant of Messrs. Vincent T. K. Cheung, Yap & Co. He was appointed as an independent non-executive director of the Company in 2001. Mr. Chan is an independent non-executive director of Emperor International Holdings Limited and a non-executive director of Southeast Asia Properties & Finance Limited, both are listed companies in Hong Kong.

LI Defa aged 58, is the Dean of the College of Animal Science and Technology, China Agricultural University. He has a Ph.D. in animal science from Kansas State University, the United States of America as well as a master's degree in animal science from Beijing Agricultural University. Before becoming the Dean of the College of Animal Science and Technology, China Agricultural University, Mr. Li had been a director of National Feed Engineering Technology Research Centre and Ministry of Agriculture Feed Industry Centre. He was appointed as an independent non-executive director of the Company in September 2004.

SENIOR MANAGEMENT

LI Weigang aged 54, has a master's degree in banking and finance from the University of Wales, the United Kingdom, as well as a master's degree in economics from The Graduate School of Chinese Academy of Social Sciences. Prior to joining the Group as assistant general manager in 2001, Mr. Li has held senior positions in various financial institutions in the PRC, with responsibility in corporate finance and general management.

CHU Lalin aged 50, is the chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 20 years of experience in mechanical and food engineering. He joined the Group in 1996.

WANG Dehui aged 44, is the assistant chief engineer of the Group. He holds a master's degree in science from the Jilin Agricultural University and has extensive of experience in food engineering and organic engineering. He joined with the Group in 1997.

ZHANG Xiuzhen aged 68, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC. She joined the Group in 1996. She was the wife of the late Mr. Xu Zhouwen, an executive Director and the mother of Ms. Xu Ziyi, an executive Director.

CHEUNG Kin Po aged 41, has been appointed as the company secretary and financial controller of the Company with effect from 20 April 2010 and 8 May 2012 respectively. He has worked with the Group since 2007. He holds a bachelor's degree in Commerce from the University of Auckland in New Zealand. He is currently a Certified Practising Accountant of the CPA Australia and an associate of Hong Kong Institute of Certified Public Accountants. He has over 15 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial function.

The Company is committed to ensuring high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole.

CORPORATE GOVERNANCE 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 consider that the Company has complied with the code provisions as laid down in the Corporate Governance Code (including the code provisions as set out in the Corporate Governance Code and Corporate Governance Report with effect from 1 April 2012) (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2012 and up to the date of this annual report.

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Due to the unavailability of the Directors, the fourth regular board meeting of the Company was held on 8 January 2013.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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.

ATTENDANCE RECORD AT THE MEETINGS OF THE BOARD AND BOARD COMMITTEES AND GENERAL MEETING

The number of meetings and attendance by Board members for the year ended 31 December 2012 are set out in the table below:

Name of Directors	Board Meeting	Written Board Resolution	AGM	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting
Executive Directors							
Liu Xiaoming	3/3	3/3	1/1		N/A	NIL	NIL
Xu Zhouwen*	2/2	2/2	1/1				
Xu Ziyi**	1/2	2/2	0/1				
Wang Guifeng	3/3	3/3	0/1				
Cheung Chak Fung***	0/1	2/2	0/1		2/2		
Zhang Fusheng****	1/1	1/1	0/1				
Independent Non-Executive Directors							
Lee Yuen Kwong	3/3	3/3	1/1	2/2	2/2	NIL	NIL
Chan Man Hon, Eric	3/3	3/3	1/1	2/2	2/2	NIL	NIL
Li Defa	2/3	3/3	0/1	1/2			

* passed away on 20 August 2012
** appointed on 2 April 2012
*** retired on 8 May 2012
**** resigned on 2 April 2012

BOARD OF DIRECTORS

Responsibilities

The Board decides on corporate strategies, approves overall business plans and supervises the Group's financial performance, management and organization on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim accounts for the Board's approval; implementation of strategies approved by the Board; monitoring of operating budgets; the implementation of internal controls procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Measures were taken to ensure that the Board is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Specific topics discussed at these quarterly Board meetings include: overall strategy; major acquisitions and disposals; annual budgets; interim and annual results; recommendations on Directors' appointment(s) or reappointment(s); matters relating to share capital; approval of major capital projects; dividend policies; and other significant operational and financial matters. All businesses transacted at individual Board meetings are recorded in the minutes of each meeting. All Board members have access to the advice and services of the Company Secretary. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

BOARD OF DIRECTORS *(Continued)*

Board Composition

As of the date of this report, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors. To the best knowledge of the Company, save that Ms. Xu Ziyi was the daughter of the late Mr. Xu Zhouwen, there is no relationship including financial, business, family or other material/relevant relationship between any of the Directors. The Group believes that its independent non-executive Directors comprise a good mix of experts, of financial, legal and industry aspects. The Board further believes that such composition is ideally qualified to advise the management team on future strategy development, financial and other statutory requirements, and to act as guardians of shareholders' interests. Detailed biographies outlining each individual Directors' range of specialist experience and expertise are set out in pages 16 to 17 of this report.

Chairman and Chief Executive Officer

The Company did not have any officer with the title "chief executive officer". Up to 20 August 2012, the duties of chief executive officer are substantially undertaken by the co-chairmen of the Company namely Mr. Liu Xiaoming and the late Mr. Xu Zhouwen (passed away on 20 August 2012).

As of the date of this report, Mr. Liu Xiaoming is the Chairman of the Company, who also resume the function of a chief executive officer.

Independent non-executive Directors

As at the date of this report, there are three independent non-executive Directors namely Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa. During the year, all the independent non-executive directors were appointed for a fixed term of two years and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's articles of association.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As at the date of this report, the Board considers that all independent non-executive Directors are independent and in full compliance with the independence guidelines as laid down in the Listing Rules.

Training for Directors

All new Directors, if any, will be briefed about the duties, responsibilities and obligations as a director of a listed company. Newly-appointed Directors are also encouraged to discuss with the Chairman any additional information or training they may require, in order to effectively discharge their duties.

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with paragraph A.6.5 of the CG Code, the Company would arrange and fund suitable continuous professional development for Directors to participate to develop and refresh their knowledge and skills. During the year ended 31 December 2012, the Company has arranged each of the Directors to attend a training seminar regarding the revised CG Code, responsibilities of directors of listed companies and relevant updates of the Listing Rules provided by the legal advisers of the Company as to Hong Kong laws.

BOARD OF DIRECTORS *(Continued)*

Appointment, Re-election and Removal of Directors

In accordance with the articles of association of the Company, all Directors shall retire by rotation and re-election at the annual general meeting of the Company following their appointment (in case of filling a casual vacancy) or at least once every three years. The retiring Directors shall be eligible for re-election at the same annual general meeting.

Directors and Officer's Liability Insurance and Indemnity

The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability that may arise from their performance of their duties.

Company Secretary

The company secretary of the Company, Mr. Cheung Kin Po, is responsible for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. He is also responsible for taking and keeping minutes of all Board and board committee meetings. Draft version of minutes is normally circulated to the Directors for comment within a reasonable time after each meeting and the final version of which is open for the Director's inspection.

Moreover, the Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements and internal codes of conduct of the Company. He has attained no less than 15 hours of relevant professional training during the Year.

DIRECTORS' REMUNERATION

During the Year under review, the Directors' remuneration is as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Fees	**1,200**	1,200
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**11,460**	11,400
Performance related bonuses	**—**	33,600
Equity-settled share option expenses	**—**	10,230
Pension scheme contributions	**29**	24
	11,489	55,254
Total	**12,689**	56,454

According to the Directors' service contracts, each of the existing executive Directors is entitled to a management bonus. The aggregate amount of the bonuses payable to all the executive Directors for any financial year shall not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2012, the executive Directors were not entitled to any bonus (2011: 2.5%) as the Group incurred a net loss from ordinary activities attributable to equity holders.

DIRECTORS' REMUNERATION *(Continued)*

(a) Independent Non-executive Directors

The fees paid to independent non-executive Directors during the Year were as follows:

	2012	2011
	HK$'000	*HK$'000*
Chan Man Hon, Eric	**480**	480
Lee Yuen Kwong	**480**	480
Li Defa	**240**	240
Total	**1,200**	1,200

There were no other emoluments payable to the independent non-executive Directors during the Year (2011: Nil).

(b) Executive Directors

	Basic salaries, housing benefits, other allowances and benefits in kind	**Performance related bonuses**	**Equity-settled share option expenses**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012					
Executive Directors:					
Liu Xiaoming	**3,960**	**–**	**–**	**14**	**3,974**
Xu Zhouwen*	**2,310**	**–**	**–**	**–**	**2,310**
Xu Ziyi**	**1,080**	**–**	**–**	**11**	**1,091**
Wang Guifeng	**1,800**	**–**	**–**	**–**	**1,800**
Cheung Chak Fung***	**2,160**	**–**	**–**	**4**	**2,164**
Zhang Fusheng****	**150**	**–**	**–**	**–**	**150**
Total	**11,460**	**–**	**–**	**29**	**11,489**
2011					
Executive Directors:					
Liu Xiaoming	3,720	11,000	3,540	12	18,272
Xu Zhouwen*	3,720	12,000	3,540	–	19,260
Wang Guifeng	1,800	5,600	1,050	–	8,450
Cheung Chak Fung***	1,560	2,000	1,050	12	4,622
Zhang Fusheng****	600	3,000	1,050	–	4,650
Total	11,400	33,600	10,230	24	55,254

* passed away on 20 August 2012
** appointed on 2 April 2012
*** retired on 8 May 2012
**** resigned on 2 April 2012

DIRECTORS' REMUNERATION *(Continued)*

(c) Senior Management

The remuneration of the senior management of the Group by band for the year ended 31 December 2012 is set out below:

Remuneration bands	Number of senior management
Nil to HK$1,500,000	4
HK$1,500,001 to HK$2,000,000	1
	5

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the financial statements, respectively.

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee"), a nomination committee (the "Nomination Committee") and a corporate governance committee (the "Corporate Governance Committee") with clearly defined written terms of reference adopted in compliance with the new CG code provision with effect from 1 April 2012.

Audit Committee

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors namely Mr. Lee Yuen Kwong (the chairman of the committee), Mr. Chan Man Hon and Mr. Li Defa.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The duties of Audit Committee are, among others, to review the Company's financial statements and to make recommendations to the Board on appointment and removal of the external auditor. 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.

During the year, the Audit Committee held two meetings. The attendance record, on a named basis, is set out in the table on page 19 of this report.

The Group's annual and interim results for the Year have been reviewed, considered and approved by the Audit Committee.

Remuneration Committee

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

During the year, the Remuneration Committee held two meetings to review and make recommendations to the Board on the individual executive Directors' and senior management's remuneration packages. The attendance record, on a named basis, is set out in the table on page 19 of this report.

Nomination Committee

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

During the year, the Nomination Committee did not hold any meeting.

Corporate Governance Committee

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

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

During the year, the Corporate Governance Committee did not hold any meeting.

BOARD COMMITTEES *(Continued)*

Accountability and Audit

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2012, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgements and estimates that are appropriate, and prepared the accounts on the going concern basis.

Internal Control

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their effectiveness. The role of the Group's management is to implement all Board policies on risk and control.

The Group's internal control systems are designed to provide reasonable protection of the Group's assets, and to safeguard these assets against unauthorized use or disposition by ensuring that all such transactions are executed in accordance with management's authorization. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for operation and for reporting purposes. The Group has adopted proper procedures with duly assigned levels of authority in areas of financial, operational and compliance controls and risk management to ensure that its assets and resources remain secure at all times.

The role of the Audit Committee is, through discussion with management and engagement of external consultants, to review the effectiveness of internal control systems, including financial, operational and compliance controls and risk management functions, and to report to the Board any and significant risk issues.

In October 2012, the Board has engaged BDO Financial Services Limited ("BDO"), specialist in risk advisory services, to conduct a review of the effectiveness of the system of internal control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee. The Board has conducted a review of the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and BDO and considered that the internal control system and procedure of the Group were effective and adequate. The Company has complied with the CG Code on internal control during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 standard set out in the code of conduct and the Model code throughout the Year, except that Mr. Zhang Fusheng, a former executive Director, had dealt with shares of the Company during the Year, including the blackout period prior to the publication of the annual results of the Company for the year ended 31 December 2011 on 21 March 2012, without first notifying in writing to any of the then co-chairmen of the Board (being the Directors designated by the Board for the purpose of the Model Code) and obtaining a dated written acknowledgment prior to such dealings in shares. Mr. Zhang Fusheng was in breach of A.3(a) and B.8 of the Model Code by making the following dealings in the shares of the Company:

		Rule(s) breached	
Date of dealing	**Number of shares involved**	**A.3(a) of Appendix 10 to the Listing Rules**	**B.8 of Appendix 10 to the Listing Rules**
9 January 2012	Sale of 100,000 shares	–	✓
10 January 2012	Sale of 50,000 shares	–	✓
11 January 2012	Sale of 100,000 shares	–	✓
19 January 2012	Sale of 100,000 shares	–	✓
26 January 2012	Sale of 60,000 shares	✓	✓
27 January 2012	Sale of 50,000 shares	✓	✓
1 February 2012	Sale of 50,000 shares	✓	✓
2 February 2012	Sale of 100,000 shares	✓	✓
3 February 2012	Sale of 50,000 shares	✓	✓
8 February 2012	Sale of 100,000 shares	✓	✓
22 February 2012	Sale of 420,000 shares	✓	✓
27 February 2012	Sale of 20,000 shares	✓	✓
14 March 2012	Sale of 100,000 shares	✓	✓
16 March 2012	Sale of 60,000 shares	✓	✓
19 March 2012	Sale of 50,000 shares	✓	✓

The Company will reiterate and remind the Directors from time to time in respect of the relevant rules and requirements in relation to Directors' dealing in securities in order to ensure the compliance of the code of conduct and the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS *(Continued)*

Auditors' Remuneration

For the year ended 31 December 2012, HK$7,880,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$4,831,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation compliance	113
Others	859
Total	972

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Group establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, notices, announcements and circulars on the Stock Exchange, the Company website at www.globalbiochem.com, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports to its shareholders twice a year and maintains a regular dialogue with investors.

The annual general meeting provides a useful forum for shareholders to exchange view with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@globalbiochem.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

SHAREHOLDERS' RIGHTS *(Continued)*

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section headed "Corporate Information" of this report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@globalbiochem.com.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@globalbiochem.com.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(2) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2012.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2012.

27 March 2013

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products, corn based sweetener products and corn based biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 135.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, and restated as appropriate, is set out on page 136. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

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

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

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

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

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

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

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

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

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

	Number of share options							Price of Company's shares			
Participants	At 1 January 2012	Exercised during the Year	Lapse during the Year	At 31 December 2012	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options HK$	Closing price immediately before the grant date HK$	Weighted average closing price immediately before the exercise date HK$	Closing price at exercise date of options HK$
Wang Guifeng	1,500,000	–	–	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
Zhang Fusheng*	1,500,000	–	(1,500,000)	–	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
Cheung Chak Fung**	1,500,000	(1,500,000)	–	–	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	1.46	1.44
Employees	3,100,000	–	–	3,100,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
	7,600,000	(1,500,000)	(1,500,000)	4,600,000							

As at the date of this report, 4,600,000 Shares were available for issue under the Scheme, representing approximately 0.14% of the issued share capital of the Company as at that date.

* resigned on 2 April 2012
** retired on 8 May 2012

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

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

Eligible participants of the GSH Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Participants	Number of share options at 1 January 2012 and 31 December 2012	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options	Closing price immediately before the grant date
					HK$ per share	*HK$ per share*
Kong Zhanpeng	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Xu Zhouwen*	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees of GSH	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Liu Xiaoming	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
	31,400,000					

As at the date of this report, 31,400,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 2.06% of the issued share capital of GSH as at that date.

* passed away on 20 August 2012

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounting to approximately HK$609,125,000. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$2,719,588,000 as at 31 December 2012 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 18% of the total sales for the year and sales to the largest customer included therein accounted for 4% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 36% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 31% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the Year were:

Executive directors:

Liu Xiaoming	
Xu Zhouwen	(passed away on 20 August 2012)
Xu Ziyi	(appointed on 2 April 2012)
Wang Guifeng	
Cheung Chak Fung	(retired on 8 May 2012)
Zhang Fusheng	(resigned on 2 April 2012)

Independent non-executive directors:

Lee Yuen Kwong
Chan Man Hon, Eric
Li Defa

According to article 108(A) of the articles of association of the Company, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Liu Xiaoming and Ms. Wang Guifeng will retire as Directors. Mr. Liu Xiaoming and Ms. Wang Guifeng will, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 16 to 17 of the annual report.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

Each of Mr. Liu Xiaoming and the late Mr. Xu Zhouwen has entered into a service agreement with the Company for a term of three years commencing on 1 March 2004, and each of Ms. Wang Guifeng, Mr. Zhang Fusheng and Mr. Cheung Chak Fung has entered into a service agreement with the Company for a term of three years commencing on 29 September 2010 and Ms. Xu Ziyi has entered into a service agreement with the Company for a term of three years commencing on 2 April 2012. Save for the service agreement of Mr. Xu Zhouwen which has been terminated upon his death on 20 August 2012, each of the above service contract is renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party giving not less than three months' notice in writing.

Each of Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric has entered into an appointment letter with the Company for a term of two years commencing on 1 March 2013. Mr. Li Defa has entered into an appointment letter with the Company for a term of two years commencing on 15 September 2012.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the annual report, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year ended 31 December 2012.

There was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2012.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

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

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

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

* appointed on 2 April 2012

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

Notes:

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

2. 1,500,000 of which are underlying shares comprised in the options granted to Ms. Wang Guifeng pursuant to the share option scheme of the Company.

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

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

Save as disclosed above, as at 31 December 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

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

L = long position

Notes:

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

2. The entire issued capital of Crown Asia Profits Limited was beneficially owned by Mr. Xu Zhouwen, an executive director during the period under review. Mr. Xu Zhouwen was the sole director of Crown Asia Profits Limited. Mr. Xu passed away on 20 August 2012.

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

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

Save as disclosed above, as at 31 December 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

The related party transactions entered into by the Group in the year under review which are disclosed in note 40 to the financial statements did not fall under the definition of connected transaction or continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to date of this report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2012.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Liu Xiaoming
Chairman

Hong Kong
27 March 2013

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, 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 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2013

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**11,908,082**	14,299,490
Cost of sales		**(10,376,091)**	(10,944,789)
Gross profit		**1,531,991**	3,354,701
Other income and gains	5	**107,237**	132,685
Selling and distribution expenses		**(770,380)**	(719,618)
Administrative expenses		**(458,799)**	(438,090)
Other expenses		**(367,371)**	(103,600)
Finance costs	7	**(585,295)**	(521,920)
Gain on loss of control of a subsidiary		**–**	14,969
Share of losses of jointly-controlled entities	20	**(1,324)**	(2,598)
Share of losses of associates	21	**(9,346)**	(742)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	**(553,287)**	1,715,787
Income tax expense	10	**(11,062)**	(335,969)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(564,349)**	1,379,818
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(119,819)**	(1,846)
PROFIT/(LOSS) FOR THE YEAR		**(684,168)**	1,377,972
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation	15	**–**	485,460
Income tax effect		**–**	(121,365)
		–	364,095
Share of other comprehensive income of jointly-controlled entities		**–**	4,313
Exchange differences on translation of financial statements of operations outside Hong Kong		**134,342**	550,281
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**134,342**	918,689
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(549,826)**	2,296,661

	Notes	2012 HK$'000	2011 HK$'000
Profit/(loss) attributable to:			
Owners of the parent	11	**(554,508)**	1,309,798
Non-controlling interests		**(129,660)**	68,174
		(684,168)	1,377,972
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(438,659)**	2,168,032
Non-controlling interests		**(111,167)**	128,629
		(549,826)	2,296,661
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit/(loss) for the year	14	**HK(17.0) cents**	HK40.3 cents
— For profit/(loss) from continuing operations		**HK(14.8) cents**	HK40.3 cents
Diluted			
— For profit/(loss) for the year	14	**HK(17.0) cents**	HK40.2 cents
— For profit/(loss) from continuing operations		**HK(14.8) cents**	HK40.2 cents

Details of the proposed dividend (if any) for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**13,169,329**	11,638,571
Prepaid land lease payments	16	**687,193**	662,156
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**399,807**	323,384
Goodwill	17	**348,428**	348,428
Intangible assets	18	**29,079**	37,798
Deferred tax assets	33	**91,113**	31,079
Breeding biological assets		**—**	9,007
Investments in jointly-controlled entities	20	**—**	99,087
Investments in associates	21	**85,947**	95,213
Trade receivables — non current	23	**168,090**	—
Prepayments, deposits and other receivables	24	**—**	8,435
Total non-current assets		**14,978,986**	13,253,158
CURRENT ASSETS			
Inventories	22	**3,645,280**	4,666,897
Trade and bills receivables	23	**1,577,271**	2,517,641
Prepayments, deposits and other receivables	24	**1,288,184**	1,050,395
Trading biological assets		**—**	1,573
Due from jointly-controlled entities	40	**—**	970
Due from associates	40	**134,984**	1,493
Equity investments at fair value through profit or loss	25	**34,079**	33,270
Tax recoverable		**9,080**	3,165
Pledged deposits	26	**—**	1,971
Cash and cash equivalents	26	**1,266,470**	2,220,195
Total current assets		**7,955,348**	10,497,570
CURRENT LIABILITIES			
Trade and bills payables	27	**1,300,917**	1,228,211
Other payables and accruals	28	**915,405**	753,300
Interest-bearing bank borrowings	29	**3,403,591**	5,789,314
Put option	31	**868,795**	—
Tax payable		**90,823**	206,907
Total current liabilities		**6,579,531**	7,977,732
NET CURRENT ASSETS		**1,375,817**	2,519,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,354,803**	15,772,996

	Notes	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,354,803**	15,772,996
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**4,762,988**	2,309,529
Guaranteed bonds	*30*	**44,076**	527,683
Put option	*31*	**—**	769,480
Derivative financial instruments		**8,353**	8,969
Deferred tax liabilities	*33*	**268,118**	258,518
Deferred income	*32*	**33,092**	36,277
Total non-current liabilities		**5,116,627**	3,910,456
Net assets		**11,238,176**	11,862,540
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*34*	**326,349**	326,199
Reserves	*36(a)*	**9,343,820**	9,791,684
Proposed final dividend	*13*	**—**	65,240
		9,670,169	10,183,123
Non-controlling interests		**1,568,007**	1,679,417
Total equity		**11,238,176**	11,862,540

Liu Xiaoming
Chairman

Xu Ziyi
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

Year ended 31 December 2011

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Put option reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		324,639	2,406,374	1,570	275,814	41,794	311,623	1,020,844	4,283,002	32,464	–	8,698,124	974,751	9,672,875
Profit for the year		–	–	–	–	–	–		1,309,798	–	–	1,309,798	68,174	1,377,972
Other comprehensive income for the year:		–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–	–	–	–	–	510,470	–	–	–	510,470	39,811	550,281
Gain on property revaluation		–	–	–	345,511	–	–	–	–	–	–	345,511	18,584	364,095
Share of other comprehensive income of jointly-controlled entities		–	–	–	–	–	–	2,253	–	–	–	2,253	2,060	4,313
Total comprehensive income for the year		–	–	–	345,511	–	–	512,723	1,309,798	–	–	2,168,032	128,629	2,296,661
Equity-settled share option arrangement	35	1,560	23,244	2,662	–	–	–	–	–	–	–	27,466	–	27,466
Equity-settled share option arrangement of a subsidiary	35	–	–	16,956	–	–	–	–	1,416	–	–	18,372	680	19,052
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(3,876)	–	–	(3,876)	(953)	(4,829)
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(6,046)	(6,046)
Loss of control of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(54,909)	(54,909)
Deemed disposal of a subsidiary		–	–	–	–	101,193	–	(30,508)	–	–	–	70,685	643,601	714,286
Disposal of equity interest in a subsidiary without losing control		–	–	–	–	–	–	–	–	–	–	–	(6,336)	(6,336)
Final declared 2010 dividend	13	–	–	–	–	–	–	–	–	(32,464)	–	(32,464)	–	(32,464)
Interim 2011 dividend	13	–	–	–	–	–	–	–	(48,930)	–	–	(48,930)	–	(48,930)
Proposed final 2011 dividend	13	–	–	–	–	–	–	–	(65,240)	65,240	–	–	–	–
Put option reserve	31	–	–	–	–	–	–	–	–	–	(714,286)	(714,286)	–	(714,286)
Transfer from retained profits	36(a)	–	–	–	–	–	18,354	–	(18,354)	–	–	–	–	–
At 31 December 2011		326,199	2,429,618	21,188	621,325	142,987	329,977	1,503,059	5,457,816	65,240	(714,286)	10,183,123	1,679,417	11,862,540

Year ended 31 December 2012

	Notes	Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Put option reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		326,199	2,429,618	21,188	621,325	142,987	329,977	1,503,059	5,457,816	65,240	(714,286)	10,183,123	1,679,417	11,862,540
Loss for the year		-	-	-	-	-	-		(554,508)	-	-	(554,508)	(129,660)	(684,168)
Other comprehensive income for the year:		-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of operations outside Hong Kong		-	-	-	-	-	-	115,849	-	-	-	115,849	18,493	134,342
Total comprehensive loss for the year		-	-	-	-	-	-	115,849	(554,508)	-	-	(438,659)	(111,167)	(549,826)
Equity-settled share option arrangement	35	150	2,235	(1,050)	-	-	-	-	525	-	-	1,860	-	1,860
Obtain control over jointly-controlled entities	37	-	-	-	(419)	-	-	(12,582)	419	-	-	(12,582)	7,746	(4,836)
Acquisition of non-controlling interests		-	-	-	-	-	-	-	1,667	-	-	1,667	(7,989)	(6,322)
Final 2011 dividend declared		-	-	-	-	-	-	-	-	(65,240)	-	(65,240)	-	(65,240)
Transfer from retained profits	36(a)	-	-	-	-	-	16,202	-	(16,202)	-	-	-	-	-
At 31 December 2012		326,349	2,431,853*	20,138	620,906*	142,987*	346,179*	1,606,326*	4,889,717	-	(714,286)*	9,670,169	1,568,007	11,238,176

* These reserve accounts comprise the consolidated reserves of HK$9,343,820,000 (31 December 2011: HK$9,791,684,000) in the consolidated statement of financial position as at 31 December 2012.

Consolidated Statement of Cash Flow

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**(553,287)**	1,715,787
From a discontinued operation		**(119,819)**	(1,846)
Adjustments for:			
Finance costs	7	**585,295**	521,920
Gain on bargain purchase	5	**(13,479)**	—
Bank interest income	5	**(5,716)**	(6,695)
Gain on disposal of items of property, plant and equipment	5	**(516)**	(184)
Loss on disposal of biological assets		**8,525**	828
Changes in fair value of biological assets		**—**	(238)
Depreciation	15	**641,194**	593,057
Amortisation of prepaid land lease payments	16	**23,287**	22,260
Impairment of property, plant and equipment	15	**8,249**	—
Impairment of intangible assets: trademark	18	**5,789**	—
Impairment of prepayments, deposits and other receivables		**13,356**	—
Amortisation for long term receivables	6	**30,597**	—
Provision for impairment of trade receivables		**178,316**	24,040
Share of losses of jointly-controlled entities	20	**1,324**	2,598
Write-down of inventories to net realisable value		**119,865**	51,274
Amortisation of deferred income	32	**(3,619)**	(2,494)
Amortisation of intangible assets	18	**3,258**	2,937
Share of losses of associates		**9,346**	742
Gain on loss of control of a subsidiary		**—**	(14,969)
Fair value (gains)/losses, net:			
— Derivative financial instruments	6	**(616)**	8,969
— Equity investments at fair value through profit or loss	6	**(1,486)**	(1,173)
— Guaranteed bonds	6	**21,470**	(21,112)
Fair value loss of investments in jointly-controlled entities	5	**1,710**	—
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	5	**(12,582)**	—
Equity-settled share option expense	35	**—**	26,646
		940,461	2,922,347

	Notes	2012 HK$'000	2011 HK$'000
(Increase)/decease in inventories		921,290	(298,881)
(Increase)/decrease in trade and bills receivables		573,650	(517,907)
Increase in prepayments, deposits and other receivables		(227,349)	(221,550)
Increase in trade and bills payables		67,598	423,652
Increase in other payables and accruals		155,289	140,737
Decrease in trading biological assets		—	839
(Increase)/decrease in amounts due from jointly-controlled entities		332	(14,920)
Increase in amounts due from associates		(133,473)	(1,493)
Cash generated from operations		2,297,798	2,432,824
Interest received		5,716	6,695
Overseas taxes paid		(192,977)	(220,693)
Net cash flows from operating activities		2,110,537	2,218,826
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,087,936)	(1,887,827)
Proceeds from disposal of items of property, plant and equipment		8,897	5,222
Payment of prepaid land lease payments	16	(21,164)	(172,605)
Addition of breeding biological assets		(1,663)	(1,948)
Dividend received from a jointly-controlled entity		7,636	—
Acquisition of a subsidiaries	37	64,241	—
Loss of control of a subsidiary		—	(25,415)
Capital contribution to subsidiaries		—	(44,330)
Purchase of equity investments at fair value through profit or loss		—	(32,097)
Net cash flows used in investing activities		(2,029,989)	(2,159,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		5,815,891	3,528,794
Repayment of bank loans		(5,844,106)	(3,754,269)
Repayment of other loans		—	(211,835)
Interest paid		(485,981)	(462,038)
Proceeds from equity-settled share option arrangement		—	19,344
Proceeds from equity-settled share option arrangement of a subsidiary		—	525
Capital injection by a non-controlling shareholder	31	—	714,286
Redemption of guaranteed bonds		(518,321)	—
Proceeds from the issue of guaranteed bonds		—	525,744
Dividends paid		(64,967)	(81,394)
Dividends paid to non-controlling interests		—	(6,046)
Acquisition of non-controlling interests		(6,315)	(4,829)
Net cash flows from/(used in) financing activities		(1,103,799)	268,282

Consolidated Statement of Cash Flow *(Continued)*

Year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,023,251)**	328,108
Cash and cash equivalents at beginning of year		**2,222,166**	1,734,668
Effect of foreign exchange rate changes, net		**67,555**	159,390
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,266,470**	2,222,166
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	**1,238,182**	2,113,808
Non-pledged time deposits with original maturity of less than three months when acquired	*26*	**28,288**	106,387
Cash and cash equivalents as stated in the statement of financial position		**1,266,470**	2,220,195
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payable	*26*	**–**	1,971
Cash and cash equivalents as stated in the statement of cash flows		**1,266,470**	2,222,166

Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**1,077,716**	574,478
Total non-current assets		**1,077,716**	574,478
CURRENT ASSETS			
Due from subsidiaries	19	**2,987,169**	3,570,656
Prepayments, deposits and other receivables	24	**–**	356
Cash and cash equivalents	26	**170,834**	375,779
Total current assets		**3,158,003**	3,946,791
CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**77,500**	176,158
Other payables and accruals	28	**8,808**	51,006
Total current liabilities		**86,308**	227,164
NET CURRENT ASSETS		**3,071,695**	3,719,627
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,149,411**	4,294,105
NON-CURRENT LIABILITIES			
Guaranteed bonds	30	**44,076**	527,683
Derivative financial instruments		**8,353**	8,969
Financial guarantee contracts		**439,783**	192,873
Total non-current liabilities		**492,212**	729,525
Net assets		**3,657,199**	3,564,580
EQUITY			
Issued capital	34	**326,349**	326,199
Reserves	36(b)	**3,330,850**	3,173,141
Proposed final dividend	13	**–**	65,240
Total equity		**3,657,199**	3,564,580

Liu Xiaoming
Chairman

Xu Ziyi
Director

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

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

During the year, a subsidiary of the Group was granted a long term loan of RMB200,000,000 by a bank which was repayable in 2014. Pursuant to the loan facility agreement, 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 the long term loan has been reclassified from long term bank borrowings to short term bank borrowings at 31 December 2012. This non-compliance also triggers cross default of other short term loan agreements in the aggregate outstanding principal amount of RMB280,000,000. The directors have been taking action to rectify the non-compliance. The directors considered that the Group's inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

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 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKFRS 7, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to *HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidence*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Imcome*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HK(IFRIC)—Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009 – 2011 Cycle	*Amendments to a number of HKFRSs issued in June 2012*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)—Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)—Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)—Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Ventures*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

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

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)—Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

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

The *Annual Improvements to HKFRSs 2009—2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in profit or loss and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated statement of changes in equity, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition—related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, biological assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre—tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the Group (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of comprehensive income to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2% to 3.4%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of ten years, commencing from the date when the products are put into commercial production.

Trademarks

Trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Golf club membership

Golf club membership is stated at cost less impairment losses, if any. The carrying amount of individual golf club membership is reviewed at the end of each reporting period to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such golf club membership is reduced to its fair value. The amount of the reduction is recognised as an expense in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

Biological assets represent breeding cattle recorded as non-current assets and trading cattle recorded as current assets. The biological assets are measured at their fair value on initial recognition and at the end of each reporting period less estimated costs to sell. The fair values of the biological assets are determined based on the most recent market transaction prices. A change in fair value less estimated costs to sell of a biological asset is included in profit or loss for the period in which it arises.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the consolidated statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held—to—maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated as at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at as fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass—through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass—through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write—off is later recovered, the recovery is credited to other expenses in the consolidated statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, amounts included in other payables and accruals, interest-bearing bank and other borrowings, derivative financial instruments, guaranteed bonds and a put option.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of comprehensive income. The net fair value gain or loss recognised in the consolidated statement of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories, other than the biological assets which are measured in accordance with the accounting policy for "Biological assets" above, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statement of comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of Share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value for the Company is determined using the Black-Scholes-Merton model, and a binomial model by an external valuer, further details of which are given in note 35 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the Share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

Pension schemes and other retirement benefits *(Continued)*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in the retirement benefit schemes (the "PRC RB Schemes") operated by the respective local municipal governments in provinces of Mainland China that the group companies operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to profit or loss as they become payable in accordance with the rules of the PRC RB Schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their consolidated statement of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

The Union Company is not a related party under HKAS 24

One of the major suppliers of the Group is a company beneficially owned by the staff union of the Group's PRC employees (the "Union Company"). The total purchases from the Union Company accounted for approximately 63.9% of the total corn kernels purchased by the Group for the year. Since none of the directors nor senior management has taken part in the operations of the Union Company, and none of the Company's directors could exercise control or significant influence over the Union Company, the Union Company is not regarded as a related party to the Group under the definition of HKAS 24.

Recognition of a deferred tax liability for withholding taxes

The Group determines that no dividends to be distributed from the PRC subsidiaries to the Company or any subsidiary outside Mainland China in the next five years could give rise to the recognition of withholding taxes. Therefore, no deferred tax liability for withholding taxes was recognised in these financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of leasehold buildings

In the absence of current prices in an active market for similar properties, the Group considers information by reference to the valuation performed by an independent valuer based on the open market value basis.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was HK$348,428,000 (2011: HK$348,428,000). More details are given in note 17 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with a similar asset that is used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of property, plant and equipment. This requires an estimation of the value in use of property, plant and equipment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 31 December 2012 was HK$13,169,329,000 (2011: HK$11,638,571,000). Further details are given in note 15 to the financial statements.

Apart from the above, in 2011, the Group agreed with the local government to relocate its manufacturing plants from the existing location to a more remote area in order to cope with city redevelopment plan. In this respect, certain items of property, plant and equipment, together with land lease prepayment with a net book value of HK$485,490,000 as at 31 December 2012 located in the old site are idle and are subject to impairment test at the reporting date. Management estimated the recoverable amount of these assets, together with the land premiums associated, based on the respective fair values less selling costs of these assets, with reference to the current market value of these assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of trade receivables

The policy for provision for impairment losses of trade receivables of the Group is based on the evaluation of collectability, the aged analysis of trade receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The Group reviews an aged analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2012, the carrying amount of inventories was approximately HK$3,645,280,000 after netting off the allowances for inventories of approximately HK$293,310,000.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2012, the best estimate of the carrying amount of capitalised development costs was HK$29,347,000 (2011: HK$29,347,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

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

(a) the corn refined products segment engages in the manufacture and sale of corn refined products, including corn starch, corn gluten meal and corn oil; and

(b) the corn based biochemical products segment engages in the manufacture and sale of corn based biochemical products, including corn sweeteners, polyol chemicals and amino acids; and

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

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2012	Corn refined products HK$'000	Corn based biochemical products HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	2,934,597	8,973,485	11,908,082
Intersegment sales	939,775	—	939,775
Other income	49,053	—	49,053
	3,923,425	8,973,485	12,896,910
Reconciliation:			
Elimination of intersegment sales			(939,775)
Revenue from continuing operations			11,957,135
Segment results	(303,641)	377,792	74,151
Reconciliation:			
Bank interest income			5,716
Unallocated gains			52,468
Corporate and other unallocated expenses			(100,327)
Finance costs			(585,295)
Loss before tax from continuing operations			(553,287)
Segment assets	5,015,949	16,280,227	21,296,176
Reconciliation:			
Elimination of intersegment receivables			(367,824)
Goodwill			348,428
Corporate and other unallocated assets			1,650,869
Assets related to a discontinued operation			6,685
Total assets			22,934,334
Segment liabilities	780,236	1,575,178	2,355,414
Reconciliation:			
Elimination of intersegment payables			(367,824)
Interest-bearing bank and other borrowings			8,166,579
Unallocated liabilities			1,540,827
Liabilities related to a discontinued operation			1,162
Total liabilities			11,696,158
Other segment information:			
Share of profits and losses of jointly-controlled entities	—	(1,324)	(1,324)
Depreciation	161,451	478,868	640,319
Amortisation of land lease payments	6,542	16,745	23,287
Provision for impairment of trade receivables	6,176	113,559	119,735
Amortisation of long term receivables	—	30,597	30,597
Write-down/(reversal) of inventories to net realisable value	(7,107)	113,074	105,967
Capital expenditure, including land lease payments	128,166	1,980,934	2,109,100

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011	Corn refined products *HK$'000*	Corn based biochemical products *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	4,020,970	10,278,520	14,299,490
Intersegment sales	3,171,172	—	3,171,172
Other income	55,099	—	55,099
	7,247,241	10,278,520	17,525,761
Reconciliation:			
Elimination of intersegment sales			(3,171,172)
Revenue from continuing operations			14,354,589
Segment results	358,457	1,797,592	2,156,049
Reconciliation:			
Bank interest income			6,695
Unallocated gains			70,891
Corporate and other unallocated expenses			4,072
Finance costs			(521,920)
Profit before tax from continuing operations			1,715,787
Segment assets	8,977,683	12,683,098	21,660,781
Reconciliation:			
Elimination of intersegment receivables			(1,026,858)
Goodwill			348,428
Corporate and other unallocated assets			2,639,058
Assets related to a discontinued operation			129,319
Total assets			23,750,728
Segment liabilities	1,769,680	1,355,824	3,125,504
Reconciliation:			
Elimination of intersegment payables			(1,026,858)
Interest-bearing bank and other borrowings			8,098,843
Unallocated liabilities			1,570,082
Liabilities related to a discontinued operation			120,617
Total liabilities			11,888,188
Other segment information:			
Share of profits and losses of jointly-controlled entities	—	(2,598)	(2,598)
Depreciation	180,297	411,982	592,279
Amortisation of land lease payments	9,972	11,992	21,964
Provision/(reversal of provision) for impairment of trade receivables	(10,110)	22,104	11,994
Write-down/(reversal) of inventories to net realisable value	(18,488)	69,762	51,274
Capital expenditure, including land lease payments	205,865	1,856,895	2,062,760
Investments in jointly-controlled entities	—	99,087	99,087

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2012 **HK$'000**	2011 HK$'000
Mainland China	**8,896,156**	11,553,377
Regions other than Mainland China	**3,011,926**	2,746,113
	11,908,082	14,299,490

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

(b) Non-current assets

	2012 **HK$'000**	2011 HK$'000
Mainland China	**14,514,543**	12,806,028
Regions other than Mainland China	**373,330**	416,051
	14,887,873	13,222,079

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

		Group	
	Note	**2012** **HK$'000**	2011 HK$'000
Revenue			
Sale of goods		**11,908,082**	14,299,490
Other income			
Bank interest income		**5,716**	6,695
Net profit arising from the sale of packing materials and by-products		**49,053**	55,099
Government grants*		**19,863**	53,354
Others		**7,738**	4,037
		82,370	119,185
Gains			
Gain on disposal of items of property, plant and equipment		**516**	184
Gain on bargain purchase	*37*	**13,479**	—
Fair value gains/(losses), net:			
— Derivative financial instruments		**—**	(8,969)
— Equity investments at fair value through profit or loss		**—**	1,173
— Guaranteed bonds		**—**	21,112
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	*37*	**12,582**	—
Fair value loss of investments in jointly-controlled entities	*37*	**(1,710)**	—
		24,867	13,500
		107,237	132,685

* Government grants in 2012 represented the rewards to certain subsidiaries located in Mainland China for environmental protection, technology innovation and improvement and compensation for use of land owned by these subsidiaries.

6. PROFIT/(LOSS) BEFORE TAX

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

		Group	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Cost of inventories sold		**7,607,610**	8,162,996
Depreciation		**640,319**	592,279
Amortisation of prepaid land lease payments		**23,287**	21,964
Research and development costs		**119,286**	12,409
Auditors' remuneration		**4,500**	4,500
Employee benefit expenses (including directors' remuneration *(note 8)*):			
Wages and salaries		**195,748**	183,216
Pension scheme contributions		**44,173**	29,777
		239,921	212,993
Provision for impairment of trade receivables, net		**119,735**	11,994
Amortisation for long term receivables		**30,597**	—
Write-down of inventories to net realisable value#		**105,967**	51,274
Fair value (gains)/losses, net:			
— Derivative financial instruments		**(616)**	8,969
— Equity investments at fair value through profit or loss		**(1,486)**	(1,173)
— Guaranteed bonds		**21,470**	(21,112)
Gain on bargain purchase*	*37*	**(13,479)**	—
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	*37*	**(12,582)**	—
Fair value loss of investments in jointly-controlled entities	*37*	**1,710**	—
Under—provision of other taxes and penalty for prior periods		**36,405**	—
Foreign exchange difference, net		**22,066**	47,475

Included in "Cost of sales" on the consolidated statement of comprehensive income.

* Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of comprehensive income.

7. FINANCE COSTS

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

		Group	
	Note	**2012** *HK$'000*	2011 *HK$'000*
Interest on bank loans wholly repayable within five years		**432,949**	421,150
Interest on bank loans not wholly repayable within five years		**164,412**	108,348
Finance costs for discounted bills receivable		**8,576**	17,862
Interest on guaranteed bonds		**49,392**	27,714
Interest on a put option	*31*	**99,315**	55,194
		754,644	630,268
Less: Interest capitalised		**(169,349)**	(108,348)
		585,295	521,920

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

		Group	
	Notes	**2012** *HK$'000*	2011 *HK$'000*
Fees	*(a)*	**1,200**	1,200
Other emoluments:	*(b)*		
Basic salaries, housing benefits, other allowances and benefits in kind		**11,460**	11,400
Performance related bonuses		**—**	33,600
Equity-settled share option expense		**—**	10,230
Pension scheme contributions		**29**	24
		11,489	55,254
		12,689	56,454

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, is entitled to performance related bonuses. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to equity holders in respect of that financial year. For the year ended 31 December 2012, no bonus was paid to the executive directors and the chief executive. For the year ended 31 December 2011, the aggregate amount of the bonuses payable to the executive directors was equivalent to 2.5% of the net profit from ordinary activities attributable to equity holders.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2012 HK$'000	2011 HK$'000
Mr. Chan Man Hon, Eric	480	480
Mr. Lee Yuen Kwong	480	480
Mr. Li Defa	240	240
	1,200	1,200

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
Executive directors:					
Mr. Liu Xiaoming	3,960	–	–	14	3,974
Mr. Xu Zhouwen*	2,310	–	–	–	2,310
Ms. Wang Guifeng	1,800	–	–	–	1,800
Mr. Cheung Chak Fung (retired on 8 May 2012)	2,160	–	–	4	2,164
Mr. Zhang Fusheng (resigned on 2 April 2012)	150	–	–	–	150
Ms. Xu Ziyi	1,080	–	–	11	1,091
Total	11,460	–	–	29	11,489
2011					
Executive directors:					
Mr. Liu Xiaoming	3,720	11,000	3,540	12	18,272
Mr. Xu Zhouwen*	3,720	12,000	3,540	–	19,260
Ms. Wang Guifeng	1,800	5,600	1,050	–	8,450
Mr. Cheung Chak Fung	1,560	2,000	1,050	12	4,622
Mr. Zhang Fusheng	600	3,000	1,050	–	4,650
Total	11,400	33,600	10,230	24	55,254

* Mr. Xu Zhouwen, one of the Co-Chairmen and an executive director of the Company, passed away on 20 August 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2011: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2011: two) non-director, highest paid employee for the year are as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**3,600**	4,184
Performance related bonuses	**–**	6,400
Equity-settled share option expense	**–**	5,900
Pension scheme contributions	**14**	24
	3,614	16,508

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Nil to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$6,500,000	**–**	–
HK$6,500,001 to HK$11,000,000	**–**	–
HK$11,000,001 to HK$12,000,000	**–**	1
	1	2

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2011: nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Mainland China	**66,120**	342,607
Deferred *(note 33)*	**(55,058)**	(6,638)
Total tax charge for the year	**11,062**	335,969

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

Group – 2012

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

10. INCOME TAX EXPENSE *(Continued)*

Group – 2011

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax from continuing operations	(138,160)		1,853,947		1,715,787	
Tax at the statutory rate	(22,797)	16.5	463,487	25.0	440,690	25.7
Preferential tax rate offered *(note (a))*	–	–	(104,477)	(5.6)	(104,477)	(6.1)
Lower tax rate for tax relief granted *(note (b))*	–	–	(54,424)	(2.9)	(54,424)	(3.2)
Income not subject to tax	–	–	(8,920)	(0.5)	(8,920)	(0.5)
Tax losses not recognised	22,797	(16.5)	6,711	0.4	29,508	1.7
Expenses not deductible for tax	–	–	47,976	2.6	47,976	2.8
Tax losses utilised from previous periods	–	–	(5,234)	(0.3)	(5,234)	(0.3)
Tax credit of corporate income tax for purchase of domestic equipment	–	–	(44,331)	(2.4)	(44,331)	(2.6)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	11,486	0.6	11,486	0.7
Capital gain tax on intra-group disposal of a subsidiary	–	–	23,695	1.3	23,695	1.4
Tax charge at the Group's effective rate	–	–	335,969	18.2	335,969	19.6

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2011: 25%).

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

(b) One (2011: Five) subsidiary was subject to tax concessions in 2012. It was granted tax concessions by the state tax bureau in accordance with the PRC Corporate Income Tax Law and the corresponding transitional tax concession policy under which these subsidiaries would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years. The subsidiary is at loss (2011: five subsidiaries amounting to taxable profit of HK$571,946,000) and not applicable to enjoy the tax concessions.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of HK$155,999,000 (2011: loss of HK$73,483,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DISCONTINUED OPERATION

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

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

	2012 ***HK$'000***	2011 *HK$'000*
Revenue	**4,968**	139,397
Cost of sales	**(5,193)**	(126,663)
Other revenue	**3**	413
Selling and distribution expenses	**(486)**	(637)
Administrative expenses	**(8,731)**	(1,482)
Other expenses	**(110,380)**	(12,874)
Loss before tax from the discontinued operation	**(119,819)**	(1,846)
Income tax	**–**	–
Loss for the year from the discontinued operation	**(119,819)**	(1,846)

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

	2012 ***HK$'000***	2011 *HK$'000*
Operating activities	**(6,531)**	17,694
Investing activities	**(7)**	(9,922)
Financing activities	**1,270**	(4,160)
Net cash inflow/(outflow)	**(5,268)**	3,612
Loss per share:		
Basic, from the discontinued operation	**HK(2.23) cents**	HK(0.03) cents
Diluted, from the discontinued operation	**HK(2.23) cents**	HK(0.03) cents

12. DISCONTINUED OPERATION

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

	2012	2011
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$(72,850,000)**	HK$(916,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 14)*	**3,262,868,616**	3,253,747,247
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 14)*	**3,262,868,616**	3,253,747,247

13. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim paid — nil cents (2011: HK1.5 cent) per ordinary share	**–**	48,930
Proposed final — nil cents (2011: HK2.0 cent) per ordinary share	**–**	65,240
	–	114,170

The directors do not recommend the payment of any dividend for the year ended 31 December 2012.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,262,868,616 (2011: 3,253,747,247) in issue during the year.

During the year, as anti-dilutive effect is resulted following the losses sustained by the Group, no adjustment has been made to the calculation of the dilutive loss per share. In the prior year, the calculation of the diluted earnings per share was based on the profit for the year attributable to the ordinary equity shareholders of the parent and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**(481,658)**	1,310,714
From a discontinued operation	**(72,850)**	(916)
	(554,508)	1,309,798

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,262,868,616	3,253,747,247
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	2,594,813
	3,262,868,616	3,256,342,060

15. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2012	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
1 January 2012	5,345,594	6,668,097	231,194	3,038,451	15,283,336
Additions	22,751	80,890	16,295	1,906,696	2,026,632
Acquisition of subsidiaries *(note 37)*	15,827	12,960	487	(754)	28,520
Disposals	(630)	(12,816)	(1,039)	(817)	(15,302)
Transfers	147,719	33,416	–	(181,135)	–
Exchange realignment	56,052	82,503	2,699	35,350	176,604
At 31 December 2012	5,587,313	6,865,050	249,636	4,797,791	17,499,790
Accumulated depreciation:					
1 January 2012	656,460	2,814,350	173,955	–	3,644,765
Depreciation provided during the year	143,480	475,424	22,290	–	641,194
Disposals	(75)	(6,318)	(528)	–	(6,921)
Exchange realignment	7,352	33,815	2,007	–	43,174
At 31 December 2012	807,217	3,317,271	197,724	–	4,322,212
Impairment:					
1 January 2012	–	–	–	–	–
Impairment	–	8,249	–	–	8,249
At 31 December 2012	–	8,249	–	–	8,249
Net book value:					
At 31 December 2012	4,780,096	3,539,530	51,912	4,797,791	13,169,329
At 31 December 2011	4,689,134	3,853,747	57,239	3,038,451	11,638,571
Analysis of cost or valuation:					
At cost	90,962	3,539,530	51,912	4,797,791	8,480,195
At 31 December 2011 valuation	4,689,134	–	–	–	4,689,134
	4,780,096	3,539,530	51,912	4,797,791	13,169,329

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

31 December 2011	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements, furniture, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost:					
1 January 2011	4,582,883	6,135,665	174,826	1,674,774	12,568,148
Additions	6,018	47,670	48,224	1,791,482	1,893,394
Disposals	(982)	(7,239)	(1,132)	–	(9,353)
Transfers	13,647	126,280	81	(140,008)	–
Loss of control of a subsidiary	(406)	(6,940)	(568)	(379,240)	(387,154)
Surplus on revaluation	485,460	–	–	–	485,460
Exchange realignment	258,974	372,661	9,763	91,443	732,841
At 31 December 2011	5,345,594	6,668,097	231,194	3,038,451	15,283,336
Accumulated depreciation:					
1 January 2011	500,024	2,247,790	142,216	–	2,890,030
Depreciation provided during the year	129,295	438,916	24,846	–	593,057
Disposals	(196)	(3,072)	(1,047)	–	(4,315)
Loss of control of a subsidiary	–	(236)	(53)	–	(289)
Exchange realignment	27,337	130,952	7,993	–	166,282
At 31 December 2011	656,460	2,814,350	173,955	–	3,644,765
Net book value:					
At 31 December 2011	4,689,134	3,853,747	57,239	3,038,451	11,638,571
At 31 December 2010	4,082,859	3,887,875	32,610	1,674,774	9,678,118
Analysis of cost or valuation:					
At cost	–	3,853,747	57,239	3,038,451	6,949,437
At 31 December 2011 valuation	4,689,134	–	–	–	4,689,134
	4,689,134	3,853,747	57,239	3,038,451	11,638,571

The Group's leasehold buildings with useful lives of the shorter of the lease terms or 50 years were stated at the most recent valuation less accumulated depreciation and impairment.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2011, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately HK$4,689,134,000. A surplus on revaluation of approximately HK$485,460,000 arising from the 2011 valuation has been credited to the asset revaluation reserve during the year ended 31 December 2011. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2012, no revaluation has been performed as at that date.

At 31 December 2012, the Group has not obtained building certificates for certain leasehold buildings with a total net carrying amount of HK$2,974,879,460 (2011: HK$2,791,054,000). The directors considered that there were no potential risks given that the Group has obtained all certificates for the underlying land use rights.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$3,960,979,000 (2011: HK$3,870,018,000).

16. PREPAID LAND LEASE PAYMENTS

		Group	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Carrying amount at 1 January		**685,296**	669,633
Additions		**21,164**	172,605
Acquisition of subsidiaries	*37*	**19,829**	—
Loss of control of a subsidiary		**—**	(170,567)
Amortised during the year		**(23,287)**	(22,260)
Exchange realignment		**7,507**	35,885
Carrying amount at 31 December		**710,509**	685,296
Current portion included in prepayments, deposits and other receivables		**(23,316)**	(23,140)
Non-current portion		**687,193**	662,156

The leasehold land with a useful life of the shorter of the lease terms or 50 years is situated outside Hong Kong.

At 31 December 2012, the Group has not obtained a land use right certificate for prepaid land lease payments with a total carrying amount of HK$12,384,388 (2011: HK$4,388,000).

17. GOODWILL

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January:		
Cost	**360,889**	360,889
Accumulated impairment	**(12,461)**	(12,461)
Net carrying amount at 31 December	**348,428**	348,428

Impairment testing of goodwill

Goodwill acquired through business combinations or acquisition of a non-controlling shareholder has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

	Goodwill
	HK$'000
Corn refinery plants	162,640
Lysine plants	25,927
Changchun Dihao Foodstuff Development Co., Ltd.	155,986
Global Polyol Investments Limited	3,875
	348,428

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2011: 13%). No growth has been projected beyond the five-year period.

Key assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

No impairment loss was noted as at 31 December 2012 (2011: Nil).

18. INTANGIBLE ASSETS

Group

31 December 2012	**Golf club membership** *HK$'000*	**Trademarks** *HK$'000*	**Development costs** *HK$'000*	**Total** *HK$'000*
Cost at 1 January 2012	**5,290**	**6,073**	**26,435**	**37,798**
Amortisation provided during the year	**—**	**(284)**	**(2,974)**	**(3,258)**
Impairment	**—**	**(5,789)**	**—**	**(5,789)**
Exchange realignment	**—**	**—**	**328**	**328**
As at 31 December 2012	**5,290**	**—**	**23,789**	**29,079**
At 31 December 2012:				
Cost	**5,290**	**6,098**	**29,347**	**40,735**
Accumulated amortisation	**—**	**(309)**	**(5,558)**	**(5,867)**
Impairment	**—**	**(5,789)**	**—**	**(5,789)**
Net carrying amount	**5,290**	**—**	**23,789**	**29,079**

31 December 2011	Golf club membership *HK$'000*	Trademarks *HK$'000*	Development costs *HK$'000*	Total *HK$'000*
Cost at 1 January 2011	—	—	27,684	27,684
Additions	5,290	6,098	—	11,388
Amortisation provided during the year	—	(25)	(2,912)	(2,937)
Exchange realignment	—	—	1,663	1,663
As at 31 December 2011	5,290	6,073	26,435	37,798
At 31 December 2011:				
Cost	5,290	6,098	29,347	40,735
Accumulated amortisation	—	(25)	(2,912)	(2,937)
Net carrying amount	5,290	6,073	26,435	37,798

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,077,716**	574,478

The amounts due from subsidiaries included in the Company's current assets of HK$2,987,169,000 (2011: HK$3,570,656,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Global Sweeteners Holdings Limited ("GSH")	Cayman Islands	Ordinary HK$152,758,600	64	Investment holding
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	PRC/Mainland China	RMB193,000,000	100	Investment holding
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100	Trading of corn refined products and corn based biochemical products
Changchun Jincheng Corn Development Co., Ltd.#	PRC/Mainland China	RMB98,700,000	64	Manufacture and sale of corn refined products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/Mainland China	US$49,504,000	64	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC/Mainland China	US$6,668,000	64	Manufacture and sale of corn based sweeteners
Changchun Dihao Foodstuff Development Co., Ltd.*	PRC/Mainland China	RMB81,000,000	64	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC/Mainland China	US$22,200,000	64	Manufacture and sale of crystallised sugar
Changchun Baocheng Bio-chem Development Co., Ltd.#	PRC/Mainland China	US$49,227,952	100	Manufacture and sale of corn based biochemical products

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
Changchun Dahe Bio Technology Development Co., Ltd.*	PRC/Mainland China	US$123,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Special Corn & Modified Starch Development Co.,Ltd (Modified Starch)#	PRC/Mainland China	RMB99,250,000	100	Manufacture and sale of corn based biochemical products
Changchun GBT Bio-Chemical Co., Ltd.#	PRC/Mainland China	US$157,000,000	83	Manufacture and sale of corn based biochemical products
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.*	PRC/Mainland China	HK$18,000,000	100	Manufacture and sale of corn based biochemical products
Fuzhou Fucheng Bio-chemical Development Co., LTD.@	PRC/Mainland China	US$5,000,000	100	Manufacture and sale of corn starch based products
Changchun Dacheng Bio-tech Development (Dacheng Bio-tech) Co., Ltd.#	PRC/Mainland China	RMB2,066,150,000	71	Manufacture and sale of corn based biochemical products
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/Mainland China	US$7,770,000	64	Manufacture and sale of corn based sweetener products
Changchun Dacheng Industrial Group International Trade Co ., Ltd.*	PRC/Mainland China	RMB5,000,000	100	Trading of corn based biochemical products
Global Bio-chem Technology Americas (Bio-chem American) Inc.	USA	US$500,000	100	Trading of corn based biochemical products
Global Bio-chem Technology Europe GmbH Inc.	Germany	EUR25,000	100	Trading of corn based biochemical products

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
Global Sweeteners Trade Development (Dalian) Co. Ltd.*	PRC/Mainland China	US$9,100,000	64	International trading, exhibition and consultation
Shanghai Da Yi Food Co., Ltd.@	PRC/Mainland China	US$3,000,000	64	Manufacture and sale of corn based sweetener products
Global Sweeteners HFCS (Holding) Limited@	Hong Kong	Ordinary HK$1,000	64	Investment holding

* Registered as wholly-foreign-owned enterprises under PRC law

@ Acquired during the year

\# Registered as Sino-foreign enterprises under PRC law

The above subsidiaries are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Share of net assets	**–**	59,087
Loan to a jointly-controlled entity	**–**	40,000
	–	99,087

During the year, the jointly-controlled entities became the subsidiaries of the Company following the completion of the acquisition of the respective remaining interests by the Group (note 37).

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

	2012	2011
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**–**	66,823
Non-current assets	**–**	16,913
Current liabilities	**–**	(23,834)
Non-current liabilities	**–**	(815)
Net assets	**–**	59,087

	2012	2011
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' results:		
Revenue	**–**	43,878
Other income	**288**	831
	288	44,709
Total expenses	**(1,612)**	(47,307)
Tax	**–**	–
Loss after tax	**(1,324)**	(2,598)
Statutory reserve	**–**	–
Share of profits and losses of jointly-controlled entities	**(1,324)**	(2,598)

21. INVESTMENTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Share of net assets	**85,947**	95,213

The Group's balances with its associates as at 31 December 2012 and 2011 are disclosed in note 40(iii) to the financial statements.

Particulars of the associates are as follows:

Company name	Place and date of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest attributable to the Group		Principal activities
			Direct	Indirect	
Changchun Dacheng Hexin Technology Development Co., Ltd.* ("Dacheng Hexin")	PRC/Mainland China 19 April 2011	RMB5,000,000	–	28	Manufacture and sale of botanical straw based sweetener products
Harbin Dacheng Bio Technology Co., Ltd.*# ("Harbin Dacheng")	PRC/Mainland China 2 July 2008	RMB170,000,000	–	40	Manufacture and sale of botanical straw based sweetener products

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# Before 30 December 2011, Harbin Dacheng was accounted for as a subsidiary by virtue of the Company's control over it. The Company lost control over it on 30 December 2011.

The Company's voting power held and profit sharing arrangement in relation to Dacheng Hexin and Harbin Dacheng is 28% and 40%, respectively (2011: 28% and 40%, respectively).

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2012	2011
	HK$'000	*HK$'000*
Asset	**1,065,310**	714,438
Liabilities	**910,161**	502,962
Revenues	**—**	—
Loss for the year	**(25,392)**	(1,854)

22. INVENTORIES

	Group	
	2012 *HK$'000*	2011 *HK$'000*
Raw materials	**2,436,006**	3,189,304
Finished goods	**1,209,274**	1,477,593
	3,645,280	4,666,897

As at 31 December 2012, certain inventories were written down to net realisable value which amounted to approximately HK$502,051,000 (31 December 2011: HK$597,797,000).

23. TRADE AND BILLS RECEIVABLES

	Group	
	2012 *HK$'000*	2011 *HK$'000*
Trade receivables	**1,691,526**	2,083,299
Bills receivable	**288,330**	489,836
Impairment	**(234,495)**	(55,494)
	1,745,361	2,517,641
Classified:		
Non current portion	**168,090**	—
Current portion	**1,577,271**	2,517,641

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

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

23. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**548,623**	867,539
1 to 2 months	**371,329**	439,410
2 to 3 months	**171,773**	185,654
3 to 6 months	**132,323**	709,288
Over 6 months	**521,313**	315,750
	1,745,361	2,517,641

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**55,494**	33,811
Impairment losses recognised	**186,116**	36,213
Impairment losses reversed	**(7,800)**	(12,173)
Amount written off as uncollectible	**—**	(2,439)
Exchange realignment	**685**	82
	234,495	55,494

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$234,495,000 (2011: HK$55,494,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,091,725**	1,492,603
Less than 1 month past due	**64,407**	487,821
1 to 3 months past due	**338,362**	479,807
Over 3 months past due	**250,867**	57,410
	1,745,361	2,517,641

23. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

As at 31 December 2012, no trade receivables or bills receivable (31 December 2011: HK$116,632,000) were pledged to secure bank loans.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current:				
Prepayments	**865,642**	702,624	**–**	356
Deposits and other receivables	**422,542**	347,771	**–**	–
	1,288,184	1,050,395	**–**	356
Non-current:				
Prepayments	**–**	8,435	**–**	–
	1,288,184	1,058,830	**–**	356

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Unlisted equity investments, at market value	**34,079**	33,270

Management designated this insurance product as an equity investment at fair value through profit or loss, which is carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**1,238,182**	2,113,808	**142,546**	269,392
Time deposits	**28,288**	108,358	**28,288**	106,387
	1,266,470	2,222,166	**170,834**	375,779
Less: Pledged for issuance of bills payable	**–**	(1,971)	**–**	–
Cash and cash equivalents	**1,266,470**	2,220,195	**170,834**	375,779

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$686,826,000 (31 December 2011: HK$1,331,186,000). 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.

27. TRADE AND BILLS PAYABLES

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**708,567**	928,554
1 to 2 months	**265,611**	96,238
2 to 3 months	**153,070**	44,090
Over 3 months	**173,669**	159,329
	1,300,917	1,228,211

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Payables for purchases of machinery	**310,532**	213,454	**–**	–
Customer deposits/receipts in advance	**240,556**	253,011	**–**	–
Accruals	**86,136**	95,478	**3,688**	11,381
Others	**278,181**	191,357	**5,120**	39,625
	915,405	753,300	**8,808**	51,006

Other payables are non-interest-bearing and have an average repayment term of three months.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans – secured	–	–	–	6.56	2012	104,098
Bank loans – unsecured	6.06-7.315/ HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (HIBOR+3.3%, bank funding cost+1.5%)/ HIBOR+1	On demand/ 2013	2,984,990	6.06-7.26/ HIBOR+1.5/ HIBOR+3/ HIBOR+2/ LIBOR+4.5	On demand/ 2012	5,477,828
Long term bank loans repayable on demand – unsecured	7.87/ HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (HIBOR+3.3%, bank funding cost+1.5%)/ HIBOR+1	On demand	418,601	7.87/HIBOR+3/ HIBOR+2/ LIBOR+4.5/ HIBOR+1.5	On demand	207,388
			3,403,591			5,789,314
Non-current						
Bank loans – unsecured	6.40-7.315	2013-2020	4,752,655	6.39-6.98	2013-2020	2,297,870
Other loans – unsecured	–	2018-2019	10,333	–	2018-2019	11,659
			4,762,988			2,309,529
			8,166,579			8,098,843

Company

	2012			2011		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans – unsecured	–	–	–	LIBOR+4.5	On demand	21,158
Long term bank loans repayable on demand – unsecured	LIBOR+4	On demand	77,500	LIBOR+4.5	On demand	155,000
			77,500			176,158

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**3,403,591**	5,789,314	**77,500**	176,158
In the second year	**1,377,346**	351,220	**–**	–
In the third to fifth years, inclusive	**2,469,136**	19,821	**–**	–
Beyond five years	**906,173**	1,926,829	**–**	–
	8,156,246	8,087,184	**77,500**	176,158
Other borrowings repayable:				
Beyond five years	**10,333**	11,659	**–**	–
	10,333	11,659	**–**	–
	8,166,579	8,098,843	**77,500**	176,158

As at 31 December 2012, no bank loans (2011: HK$104,098,000) were secured by trade and bill receivables.

As at 31 December 2012, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with amounts of approximately HK$6,869,671,000 (2011: HK$6,748,027,000) and approximately HK$1,209,074,000 (2011: HK$1,058,903,000), respectively.

30. GUARANTEED BONDS

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

On 8 November 2012, the Company proposed certain amendments to the terms and conditions of the guaranteed bonds and sought the waiver of the rights of the holders of the guaranteed bonds and The Hongkong and Shanghai Banking Corporation Limited, as trustee of the guaranteed bonds, in respect of all breaches and events of defaults arising under conditions and the trust deed from a breach or non-compliance with the provisions of financial covenants of the guaranteed bonds. On 11 December 2012, the Company announced that guaranteed bonds in the aggregate principal amount of RMB414,600,000 had been purchased by the Company. The principal aggregate amount of the outstanding guaranteed bonds amounted to RMB35,400,000 as at 31 December 2012 (2011: RMB450,000,000).

31. PUT OPTION

On 20 May 2011, China Bio-Chem Group Limited ("China Bio-Chem Group"), China Bio-Chem Investments Limited ("China Bio-Chem Investments") and Dacheng Bio-tech all being wholly-owned subsidiaries of the Company, entered into the capital increase agreement (the "Agreement") with the investors, pursuant to which the investors agreed to make the Capital Contribution totally in the amount of RMB600 million in cash to the registered capital of Dacheng Bio-Tech.

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

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

The change in the carrying value of the put option from the date of issue to 31 December 2012 is as follows:

		Group	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Financial liability:			
At 1 January 2012/20 May 2011, date of issue		**769,480**	714,286
Amortisation provided during the year	7	**99,315**	55,194
At 31 December		**868,795**	769,480

32. DEFERRED INCOME

The table below presents the movements of deferred income:

	Group	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**36,277**	36,543
Addition	**–**	–
Amortised during the year	**(3,619)**	(2,494)
Exchange realignment	**434**	2,228
At 31 December	**33,092**	36,277

The balance represented the receipt of government grants for the construction of certain of the Group's production plants, which have been credited as a non-current liability in the consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

33. DEFERRED TAX

The movements in deferred tax liabilities and assets of the Group during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Loss of control of a subsidiary HK$'000	Withholding tax on distributable profits of the Group's PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2011	31,372	90,327	–	–	5,617	127,316
Deferred tax charged to profit or loss during the year *(note 10)*	3,186	–	–	3,742	–	6,928
Deferred tax charged to other comprehensive income during the year	–	121,365	–	–	–	121,365
Exchange realignment	2,909	–	–	–	–	2,909
At 31 December 2011 and 1 January 2012	**37,467**	**211,692**	**–**	**3,742**	**5,617**	**258,518**
Deferred tax charged to profit or loss during the year *(note 10)*	**4,976**	**–**	**–**	**–**	**–**	**4,976**
Acquisition of subsidiaries *(note 37)*	**–**	**–**	**3,959**	**–**	**–**	**3,959**
Exchange realignment	**665**	**–**	**–**	**–**	**–**	**665**
At 31 December 2012	**43,108**	**211,692**	**3,959**	**3,742**	**5,617**	**268,118**

33. DEFERRED TAX *(Continued)*

Deferred tax assets

	Accounts receivable provision *HK$'000*	Inventories provision *HK$'000*	Government subsidy *HK$'000*	Total *HK$'000*
At 1 January 2011	—	17,513	—	17,513
Deferred tax credited to profit or loss during the year *(note 10)*	3,072	10,494	—	13,566
At 31 December 2011 and 1 January 2012	3,072	28,007	—	31,079
Deferred tax credited to profit or loss during the year *(note 10)*	23,639	33,116	3,279	60,034
At 31 December 2012	26,711	61,123	3,279	91,113

The Group has tax losses arising in Hong Kong of approximately HK$50,093,995 (2011: HK$133,044,000) that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$561,642,000 (2011: HK$179,443,000) which are available for offsetting against future taxable profits in one to five years. In the opinion of the directors, deferred tax assets have not been recognised as it is uncertain whether future taxable profits would arise to offset against these losses.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,522,359,000 at 31 December 2012 (2011: HK$2,975,179,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

Shares

	2012 *HK$'000*	2011 *HK$'000*
Authorised: 10,000,000,000 (2011: 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 (2011: 3,261,989,164) ordinary shares of HK$0.10 each	**326,349**	326,199

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

	Number of shares in issue	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 31 December 2010 and 1 January 2011	3,246,389,164	324,639	2,694,109	3,018,748
Share options exercised	15,600,000	1,560	23,244	24,804
At 31 December 2011	3,261,989,164	326,199	2,717,353	3,043,552
At 31 December 2011 and 1 January 2012	**3,261,989,164**	**326,199**	**2,717,353**	**3,043,552**
Share options exercised	**1,500,000**	**150**	**2,235**	**2,385**
At 31 December 2012	**3,263,489,164**	**326,349**	**2,719,588**	**3,045,937**

The subscription rights attaching to 1,500,000 shares (2011: 15,600,000 shares) options were exercised at a subscription price of HK$1.24 per share (note 35), resulting in the issue of 1,500,000 shares (2011: 15,600,000 shares) of HK$0.1 each for a total cash consideration, before expenses, of HK$1,860,000 (2011: HK$19,344,000). An amount of HK$525,000 (2011: HK$5,460,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

35. SHARE OPTION SCHEMES

(a) Share option scheme of the Company

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

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

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

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

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

35. SHARE OPTION SCHEMES *(Continued)*

(a) Share option scheme of the Company *(Continued)*

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

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

	2012		2011	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**1.24**	**7,600**	—	—
Granted during the year	**—**	**—**	1.24	24,400
Forfeited during the year	**1.24**	**(1,500)**	1.24	(1,200)
Exercised during the year	**1.24**	**(1,500)**	1.24	(15,600)
At 31 December	**1.24**	**4,600**	1.24	7,600

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012 **Exercise period**	**Grant date**	**The closing price immediately preceding the date of grant**	**Exercise price**	**Number of options**
		HK$	***HK$***	***'000***
21-1-2011 to 20-1-2016	**21-1-2011**	**1.24**	**1.24**	**4,600**

2011 Exercise period	Grant date	The closing price immediately preceding the date of grant	Exercise price	Number of options
		HK$	*HK$*	*'000*
21-1-2011 to 20-1-2016	21-1-2011	1.24	1.24	7,600

35. SHARE OPTION SCHEMES *(Continued)*

(a) Share option scheme of the Company *(Continued)*

The fair value of the share options granted during the year 2011 was HK$8,540,000 (HK$0.35 each) of which the Group recognised a share option expense of HK$8,120,000 during the year ended 31 December 2011.

The fair value of equity-settled share options granted during the year 2011 was estimated as at the date of grant, using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.00
Expected volatility (%)	45.10
Risk-free interest rate (%)	1.50
Expected life of options (month)	60
Weighted average share price (HK$ per share)	1.24

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 4,600,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,600,000 additional ordinary shares of the Company, giving rise to additional share capital of HK$460,000 and share premium of HK$5,244,000 (before issue expenses).

(b) Share option scheme of GSH

GSH operates a share option scheme (the "GSH Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of GSH group's operations. Eligible participants of the GSH Scheme include GSH's eligible employees, non-executive directors, suppliers of goods or services to GSH Group, customers of any member of the GSH Group, the shareholders of GSH Group, advisers or consultants of GSH group, and any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of GSH Group. The GSH Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

35. SHARE OPTION SCHEMES *(Continued)*

(b) Share option scheme of GSH *(Continued)*

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

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

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

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	2012		2011	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**1.67**	**31,400**	1.59	3,330
Granted during the year	**–**	**–**	1.67	31,400
Forfeited during the year	**–**	**–**	1.59	(3,000)
Exercised during the year	**–**	**–**	1.59	(330)
At 31 December	**1.67**	**31,400**	1.67	31,400

35. SHARE OPTION SCHEMES *(Continued)*

(b) Share option scheme of GSH *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012 **Exercise period**	**Grant date**	**The closing price immediately preceding the date of grant** ***HK$***	**Exercise price*** ***HK$***	**Number of options** ***'000***
11-7-2011 to 10-7-2016	**11-7-2011**	**1.67**	**1.67**	**31,400**

2011 Exercise period	Grant date	The closing price immediately preceding the date of grant *HK$*	Exercise price* *HK$*	Number of options *'000*
11-7-2011 to 10-7-2016	11-7-2011	1.67	1.67	31,400

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in GSH's share capital.

The fair value of the share options granted during the year ended 31 December 2011 was HK$18,526,000 (HK$0.59 each) of which GSH group recognised a share option expense of HK$18,526,000 during the year ended 31 December 2011.

The fair value of equity-settled share options granted during 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.00
Expected volatility (%)	63.00
Risk-free interest rate (%)	1.44
Expected life of options (month)	60
Weighted average share price (HK$ per share)	1.67

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, GSH had 31,400,000 share options outstanding under the GSH Scheme. The exercise in full of the outstanding share options would, under the present capital structure of GSH, result in the issue of 31,400,000 additional ordinary shares of GSH, giving rise to additional share capital of HK$3,140,000 and share premium of HK$49,298,000 (before issue expenses).

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 46 to 47 of the financial statements.

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of GSH's shares on the Main Board of the Stock Exchange in prior years, and the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the capitalisation issue in prior years; and (iii) the premium arising from the placing and subscriptions of new ordinary shares in the prior and current years.

Certain subsidiaries, which are established in the PRC as wholly-foreign-owned or Sino-foreign enterprises, are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserve reaches 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011		2,694,109	–	640,779	3,334,888
Loss for the year	11	–	–	(73,483)	(73,483)
Equity-settled share option arrangement	35	23,244	2,662	–	25,906
Interim 2011 dividend		–	–	(48,930)	(48,930)
Proposed final 2011 dividend	13	–	–	(65,240)	(65,240)
At 1 January 2012		**2,717,353**	**2,662**	**453,126**	**3,173,141**
Profit for the year	11	**–**	**–**	**155,999**	**155,999**
Equity-settled share option arrangement	35	**2,235**	**(1,050)**	**525**	**1,710**
At 31 December 2012		**2,719,588**	**1,612**	**609,650**	**3,330,850**

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

37. BUSINESS COMBINATION

On 30 March 2012, a non wholly-owned subsidiary of the Company entered into a sales and purchase agreement with Cargill, Incorporated ("Cargill Inc.") to acquire (i) the remaining 50% equity interest in Global Bio-chem-Cargill (Holdings) Limited (now known as Global Sweeteners HFCS (Holdings) Limited) ("SPV-HK"), who held 80% equity interest of GBT-Cargill High Fructose (Shanghai) Co., Ltd. (now known as Shanghai Da Yi Food Co., Ltd.) ("SPV-PRC"); (ii) the remaining 10% equity interest in SPV-PRC held by Cargill Investments (China) Ltd. ("Cargill China"); and (iii) the rights, interest and benefits of a promissory note in favor of Cargill, Inc. in the principal amount of HK$40 million due on 25 September 2101. The consideration for (i) and (iii) is HK$26,661,858 while consideration for (ii) is HK$6,314,714, which were all satisfied by cash. The consideration for (i) and (iii) was paid on 30 March 2012 while the consideration for (ii) was paid on 18 October 2012. SPV-HK and its subsidiary SPV-PRC are engaged in the manufacture and sale of high fructose corn syrup.

After the completion of (i) and (iii) on 30 March 2012, SPV-HK and SPV-PRC, the former jointly-controlled entities of the Company, became the subsidiaries of the Company.

This is regarded as a business combination achieved in stages. The Group accordingly remeasured its previously held equity interest in SPV-HK and SPV-PRC at the acquisition-date at fair value and recognise the resulting loss of HK$1,710,000 in the consolidated statement of comprehensive income. The exchange differences of HK$12,582,000 and revaluation surplus of HK$419,000 recognised in the prior years' other comprehensive income have also been reclassified to the Group's profit or loss and the Group's retained profits, respectively, as would be required if the Group had directly disposed of the previously held equity interest.

37. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of SPV-HK and SPV-PRC as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Property, plant and equipment	*15*	28,520
Prepaid land lease payments	*16*	19,829
Inventories		862
Prepayment, deposits and other receivables		1,794
Due from fellow subsidiaries		319
Cash and bank balances		90,903
Dividend payable		(20,000)
Trade payable		(117)
Due to fellow subsidiaries		(957)
Other payables		(688)
Tax payable		(202)
Deferred tax liabilities	*33*	(3,959)
Due to shareholders		(1,456)
Total identifiable net assets at fair value		114,848
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	*5*	(13,479)
Fair value of non-controlling interest		(7,746)
Assignment of a promissory note		1,456
		95,079
Satisfied by:		
Cash		26,662
Fair value of investments in jointly-controlled entities held before the acquisition		28,417
Loan to a jointly-controlled entity*		40,000
		95,079

* Loan to a jointly-controlled entity represented a quasi-equity loan obtained by the Group since the incorporation of the jointly-controlled entity.

The fair values of other receivables as at the date of acquisition amounted to HK$1,794,000, and the gross contractual amounts of other receivables were HK$1,794,000.

37. BUSINESS COMBINATION *(Continued)*

The Group incurred transaction costs of HK$1,282,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

An analysis of the cash flows in respect of the acquisition of the remaining interests in the jointly-controlled entities is as follows:

	HK$'000
Cash consideration	(26,662)
Cash and bank balances acquired	90,903
Net inflow of cash and cash equivalents included in cash flows from investing activities	64,241
Transaction costs of the acquisition included in cash flows from operating activities	(1,282)
	62,959

Since the acquisition, SPV-HK and its subsidiary SPV-PRC contributed HK$947,000 to the Group's turnover and loss of HK$905,000 to the consolidated loss for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$11,908,082,000 and HK$685,492,000 respectively.

38. CONTINGENT LIABILITIES

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

At 31 December 2012, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$6,869,671,000 (2011: HK$6,748,027,000).

39. COMMITMENTS

At 31 December 2012, the Group had capital commitments as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**610,117**	616,465
Plant and machinery	**466,140**	600,722
	1,076,257	1,217,187

The Company did not have any other significant commitments as at 31 December 2012.

40. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Utility costs charged to a jointly-controlled entity	*(a)*	**–**	5,684
Sale of corn starch to a jointly-controlled entity	*(b)*	**–**	28,507
Sale of equipment to an associate	*(c)*	**4,490**	1,276
Sale of electricity and water to an associate	*(c)*	**1,756**	–
Purchase of corn starch from an associate	*(d)*	**21,992**	–

Notes:

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

(b) The transactions with a former jointly-controlled entity of the Group were made at prices mutually agreed between the parties.

(c) The transactions with Changchun Dacheng Hexin, an associate of the Group, were made at prices mutually agreed between the parties.

(d) The transactions with Harbin Dacheng, an associate of the Group, were made at prices mutually agreed between the parties.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Other transactions with related parties

The Group's subsidiaries have guaranteed certain bank loans of HK$246,914,000 (2011: HK$73,171,000) made to Harbin Dacheng, an associate of the Group as at the end of the reporting period.

(iii) Balances with related parties

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

	2012 *HK$'000*	2011 *HK$'000*
Due from jointly-controlled entities	**–**	970
Due from associates	**134,984**	1,493
Total	**134,984**	2,463

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

(iv) Compensation of key management personnel of the Group

	2012 *HK$'000*	2011 *HK$'000*
Short term employee benefits	**11,460**	45,000
Post-employment benefits	**29**	24
Equity-settled share option expense	**–**	10,230
Total compensation paid to key management Personnel	**11,489**	55,254

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2012

	Group		
Financial assets	**Fair assets at fair value through profit or loss – designated as such upon initial recognition** *HK$'000*	**Loans and receivables** *HK$'000*	**Total** *HK$'000*
Trade and bills receivables	**—**	**1,745,361**	**1,745,361**
Financial assets included in prepayments, deposits and other receivables *(note 24)*	**—**	**422,542**	**422,542**
Due from associates	**—**	**134,984**	**134,984**
Equity investments at fair value through profit or loss	**34,079**	**—**	**34,079**
Cash and cash equivalents	**—**	**1,266,470**	**1,266,470**
Total	**34,079**	**3,569,357**	**3,603,436**

2011

	Group		
Financial assets	Fair assets at fair value through profits or loss – designated as such upon initial recognition *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Trade and bills receivables	—	2,517,641	2,517,641
Financial assets included in prepayments, deposits and other receivables *(note 24)*	—	347,771	347,771
Due from jointly-controlled entities	—	970	970
Due from associates	—	1,493	1,493
Equity investments at fair value through profit or loss	33,270	—	33,270
Pledged deposits	—	1,971	1,971
Cash and cash equivalents	—	2,220,195	2,220,195
Total	33,270	5,090,041	5,123,311

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2012

Financial liabilities	Group Fair liabilities at fair value through profit or loss designated as such upon initial recognition *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	—	1,300,917	1,300,917
Financial liabilities included in other payables and accruals	—	674,849	674,849
Interest-bearing bank and other borrowings	—	8,166,579	8,166,579
Guaranteed bonds	44,076	—	44,076
Put option	—	868,795	868,795
Derivative financial instruments	8,353	—	8,353
Total	52,429	11,011,140	11,063,569

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2011

Financial liabilities	Group Fair liabilities at fair value through profit or loss designated as such upon initial recognition *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	—	1,228,211	1,228,211
Financial liabilities included in other payables and accruals	—	500,289	500,289
Interest-bearing bank and other borrowings	—	8,098,843	8,098,843
Guaranteed bonds	527,683	—	527,683
Put option	—	769,480	769,480
Derivative financial instruments	8,969	—	8,969
Total	536,652	10,596,823	11,133,475

Financial assets	**Company** **2012** **Loans and receivables** ***HK$'000***	2011 Loans and receivables *HK$'000*
Due from subsidiaries	**2,987,169**	3,570,656
Cash and cash equivalents	**170,834**	375,779
Total	**3,158,003**	3,946,435

2012

Financial liabilities	**Company** **Financial liabilities at fair value through profit or loss designated as such upon initial recognition** ***HK$'000***	**Financial liabilities at amortised cost** ***HK$'000***	**Total** ***HK$'000***
Financial liabilities included in other payables and accruals	**—**	**8,808**	**8,808**
Financial guarantee contracts	**—**	**439,783**	**439,783**
Interest-bearing bank borrowings	**—**	**77,500**	**77,500**
Guaranteed bonds	**44,076**	**—**	**44,076**
Derivative financial instruments	**8,353**	**—**	**8,353**
Total	**52,429**	**526,091**	**578,520**

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2011

	Company		
Financial liabilities	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	—	51,006	51,006
Financial guarantee contracts	—	192,873	192,873
Interest-bearing bank borrowings	—	176,158	176,158
Guaranteed bonds	527,683	—	527,683
Derivative financial instruments	8,969	—	8,969
Total	536,652	420,037	956,689

42. FAIR VALUE

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

Group

	Carrying amounts		**Fair values**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Trade and bills receivables	**1,745,361**	2,517,641	**1,745,361**	2,517,641
Financial assets included in prepayments, deposits and other receivables	**422,542**	347,771	**422,542**	347,771
Due from jointly-controlled entities	**—**	970	**—**	970
Due from associates	**134,984**	1,493	**134,984**	1,493
Pledged deposits	**—**	1,971	**—**	1,971
Cash and cash equivalents	**1,266,470**	2,220,195	**1,266,470**	2,220,195
Equity investment at fair value through profit or loss	**34,079**	33,270	**34,079**	33,270
	3,603,436	5,123,311	**3,603,436**	5,123,311

42. FAIR VALUE *(Continued)*

Group *(Continued)*

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Financial liabilities				
Trade and bills payables	**1,300,917**	1,228,211	**1,300,917**	1,228,211
Financial liabilities included in other payables and accruals	**674,849**	500,289	**674,849**	500,289
Interest-bearing bank and other borrowings	**8,166,579**	8,098,843	**8,166,579**	8,098,843
Due to jointly-controlled entities	**—**	—	**—**	—
Guaranteed bonds	**44,076**	527,683	**44,076**	527,683
Put option	**868,795**	769,480	**868,795**	769,480
Derivative financial instruments	**8,353**	8,969	**8,353**	8,969
	11,063,569	11,133,475	**11,063,569**	11,133,475

Company

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Financial assets				
Due from subsidiaries	**2,987,169**	3,570,656	**2,987,169**	3,570,656
Cash and cash equivalents	**170,834**	375,779	**170,834**	375,779
	3,158,003	3,946,435	**3,158,003**	3,946,435

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Financial liabilities				
Financial liabilities included in other payables and accruals	**8,808**	51,006	**8,808**	51,006
Financial guarantee contracts	**439,783**	192,873	**439,783**	192,873
Interest-bearing bank borrowings	**77,500**	176,158	**77,500**	176,158
Guaranteed bonds	**44,076**	527,683	**44,076**	527,683
Derivative financial instruments	**8,353**	8,969	**8,353**	8,969
	578,520	956,689	**578,520**	956,689

42. FAIR VALUE *(Continued)*

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

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

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

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

The fair values of financial guarantee contracts have been calculated based on quoted market prices.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include trade and bills receivables, prepayments, deposits and other receivables, amounts due from jointly-controlled entities and associates, equity investments at fair value through profit or loss and cash and cash equivalents. Financial liabilities of the Group include trade and bills payables, other payables, interest-bearing bank and other borrowings, guaranteed bonds, a put option and derivative financial instruments.

Financial assets of the Company include amounts due from subsidiaries and cash and cash equivalents. Financial liabilities of the Company include other payables, financial guarantee contracts, interest-bearing bank borrowings, guaranteed bonds and derivative financial instruments.

The Group also enters into derivative transactions, including foreign currency swaps. The purpose is to manage the currency risks arising from the Group's sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and supply risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt, when considered appropriate.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit/ (loss) before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*	%	*HK$'000*
2012					
Hong Kong dollar	**1**	**(63,365)**	**(49,918)**	**1**	**(775)**
Hong Kong dollar	**(1)**	**63,365**	**49,918**	**(1)**	**775**
2011					
Hong Kong dollar	1	(60,637)	(46,534)	1	(1,762)
Hong Kong dollar	(1)	60,637	46,534	(1)	1,762

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from jointly-controlled entities and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 38 to the financial statements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 23 and 24 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or to have available funding through an adequate amount of committed annual borrowing facilities from banks to meet its commitments over the following years in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2012					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 Years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	1,300,917	–	–	–	–	1,300,917
Interest-bearing bank and other borrowings	446,801	739,354	2,537,459	3,211,432	2,747,961	9,683,007
Other payables and accruals	588,713	86,136	–	–	–	674,849
Guaranteed bonds	–	–	–	44,076	–	44,076
Put option	–	–	868,795	–	–	868,795
Derivative financial instruments	–	–	–	8,353	–	8,353
	2,336,431	825,490	3,406,254	3,263,861	2,747,961	12,579,997

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Group *(Continued)*

	2011					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 Years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Trade and bills payables	1,228,211	–	–	–	–	1,228,211
Interest-bearing bank and other borrowings	349,241	558,013	5,233,933	893,864	2,326,831	9,361,882
Other payables and accruals	404,811	95,478	–	–	–	500,289
Guaranteed bonds	–	–	–	527,683	–	527,683
Put option	–	–	–	769,480	–	769,480
Derivative financial instruments	–	–	–	8,969	–	8,969
	1,982,263	653,491	5,233,933	2,199,996	2,326,831	12,396,514

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company

	2012					
	On demand ***HK$'000***	**Less than 3 months** ***HK$'000***	**3 to less than 12 Months** ***HK$'000***	**1 to 5 Years** ***HK$'000***	**Over 5 years** ***HK$'000***	**Total** ***HK$'000***
Interest-bearing bank borrowings	**81,747**	**–**	**–**	**–**	**–**	**81,747**
Financial guarantee contracts	**281,101**	**492,593**	**1,666,348**	**3,523,457**	**906,172**	**6,869,671**
Other payables and accruals	**5,120**	**3,688**	**–**	**–**	**–**	**8,808**
Guaranteed bonds	**–**	**–**	**–**	**44,076**	**–**	**44,076**
Derivative financial instruments	**–**	**–**	**–**	**8,353**	**–**	**8,353**
	367,968	**496,281**	**1,666,348**	**3,575,886**	**906,172**	**7,012,655**

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company *(Continued)*

	2011					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 Years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Interest-bearing bank borrowings	176,158	–	–	–	–	176,158
Financial guarantee contracts	70,588	292,683	4,165,244	292,683	1,926,829	6,748,027
Other payables and accruals	39,625	11,381	–	–	–	51,006
Guaranteed bonds	–	–	–	527,683	–	527,683
Derivative financial instruments	–	–	–	8,969	–	8,969
	286,371	304,064	4,165,244	829,335	1,926,829	7,511,843

Note:

Included in interest-bearing bank and other borrowings of the Group are term loans in the amount of HK$418,601,000 (31 December 2011: HK$207,388,000). Each of the loan agreements contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Supply risk

Certain Subsidiaries of the Group entered into purchase agreements with a company established in the PRC which is beneficially owned by the staff union of the Group’s Mainland China employees (the “Union Company”) for the purchases of corn kernels, the principal raw materials for the production of certain of the Group’s products. Pursuant to the existing purchase agreements, the Group agreed to purchase from the Union Company a total of 2,400,000 tons of corn kernels amounting to approximately HK$5,978 million during the contract period (one and a half years) and bear certain warehouse administration expenses. At the end of the reporting period, the purchase commitment pursuant to the above agreements was approximately 1,766,406 tons, and the directors have estimated the amount to be approximately HK$4,400 million (2011: HK$712 million).

If the supplier is unable to obtain corn kernels for sales to the Group, and the Group is unable to obtain supplies from other sources, the Group’s operations and performance may be adversely affected.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital. The Group's policy is to maintain the gearing ratio at approximately 60%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2012 *HK$'000*	2011 *HK$'000*
Interest-bearing bank and other borrowings	**8,166,579**	8,098,843
Less: Cash and cash equivalents	**(1,266,470)**	(2,220,195)
Net debt	**6,900,109**	5,878,648
Capital	**9,670,169**	10,183,123
Gearing ratio	**71%**	58%

44. COMPARATIVE AMOUNTS

The comparative consolidated statement of comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**11,908,082**	14,299,490	9,149,077	7,701,787	8,687,939
Cost of sales	**(10,376,091)**	(10,944,789)	(7,589,713)	(6,646,732)	(6,954,397)
Gross profit	**1,531,991**	3,354,701	1,559,364	1,055,055	1,733,542
Other income and gains	**107,237**	132,685	138,929	86,536	197,620
Gain on loss of control of a subsidiary	**–**	14,969	–	–	–
Excess over the cost of a business combination	**–**	–	–	–	23,703
Selling and distribution costs	**(770,380)**	(719,618)	(550,726)	(434,978)	(532,950)
Administrative expenses	**(458,799)**	(438,090)	(268,365)	(264,581)	(284,974)
Other expenses	**(367,371)**	(103,600)	(21,293)	(74,241)	(80,275)
Finance costs	**(585,295)**	(521,920)	(378,542)	(307,165)	(359,438)
Share of profits of jointly-controlled entities	**(1,324)**	(2,598)	1,196	3,312	5,677
Share of profits of associates	**(9,346)**	(742)	–	–	–
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(553,287)**	1,715,787	480,563	63,938	702,905
Income tax expense	**(11,062)**	(335,969)	(110,296)	(51,349)	(30,090)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(564,349)**	1,379,818	370,267	12,589	672,815
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**(119,819)**	(1,846)	3,393	1,366	–
PROFIT FOR THE YEAR	**(684,168)**	1,377,972	373,660	13,955	672,815
Profit attributable to:					
Owners of the parent	**(554,508)**	1,309,798	331,726	(14,978)	621,777
Non-controlling interests	**(129,660)**	68,174	41,934	28,933	51,038
	(684,168)	1,377,972	373,660	13,955	672,815
TOTAL ASSETS	**22,934,334**	23,750,728	19,835,098	17,010,097	15,415,340
TOTAL LIABILITIES	**(11,696,158)**	(11,888,188)	(10,162,223)	(8,971,434)	(7,514,865)
NON-CONTROLLING INTERESTS	**(1,568,007)**	(1,679,417)	(974,751)	(556,785)	(512,754)
	9,670,169	10,183,123	8,698,124	7,481,878	7,387,721