GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809

ANNUAL REPORT 2013

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 800,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 200,000 mt
- Corn Refinery — 2.4 million mt
- Ammonia — 120,000 mt
- Hydrogen — 60 million m^3

Site Area: Over 2.9 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

HARBIN

Annual Production Capacity:

- Corn Refinery — 600,000 mt

Site Area: Approximately 850,000 m^2
Location: Situated within the Golden Corn Belt

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 340,000 mt

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

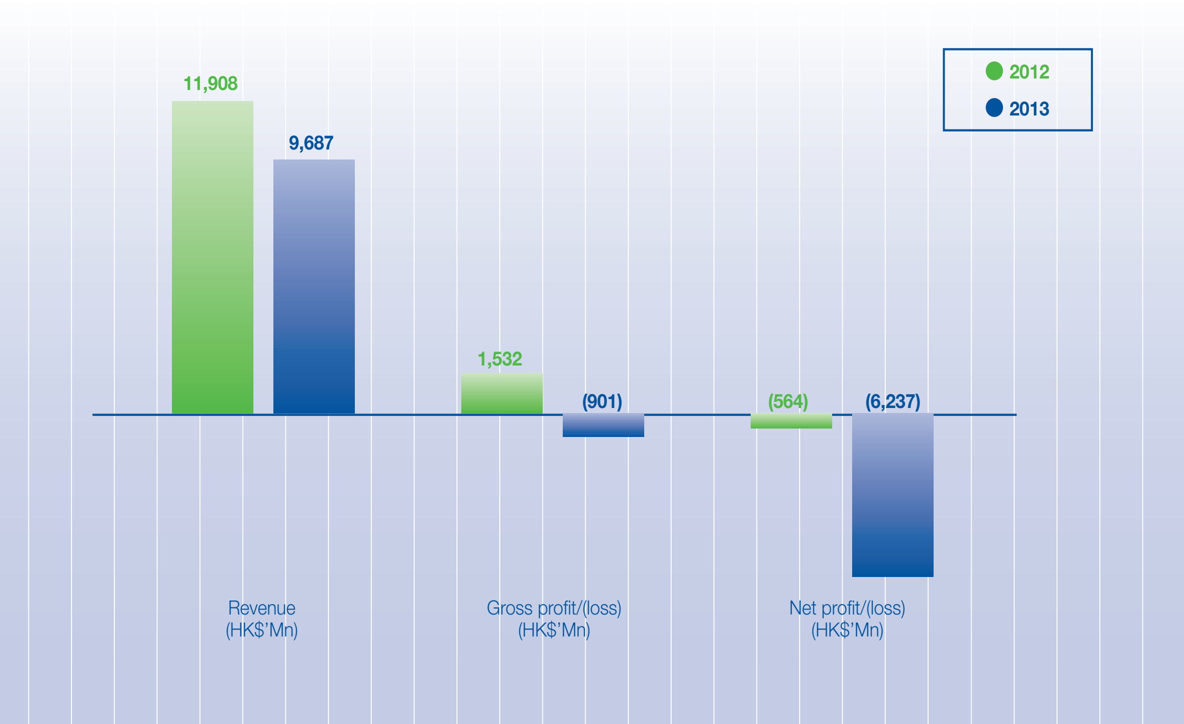
HONG KONG

Headquarter

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

Contents

Financial Highlights



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

Corporate Information

BOARD OF DIRECTORS

Liu Xiaoming, *Chairman*
Xu Ziyi, *Executive Director*
Kong Zhanpeng, *Executive Director*
Li Weigang, *Executive Director*
Wang Yongan, *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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 to 23 May 2014 (both dates inclusive)
Annual general meeting:
23 May 2014

Message to Shareholders

Dear Shareholders,

The operating environment in 2013 remained challenging. The adverse impact of a new strain bird flu had led to shrunken domestic consumption on animal feed in Mainland China. This had in turn trimmed the demand for the Group's lysine products. Despite the Group's effort in tightening cost control and strengthening operation efficiency, overall gross margins continued to be pressurised by high raw material costs and lowered average selling price ("ASP"). The Group's performance was thus adversely affected.

During the year under review, the average price of corn kernel, the major raw material for the Group's products, remained at a relatively high level. Given the diminishing seasonality factor of corn price, the Group adopted a more flexible approach in corn stocking. As such, the Group was able to reduce its capital commitment for raw material and had thus improved capital liquidity during the year.

Amino acid business of the Group was severely pressurised during the year, both in sales volume and profit margins were trimmed. The lysine market was hampered by softened demand, as well as excess supply resulting from launch of new facilities. The scenario had led to stacking inventory, thus adding further pressure on the product ASP, which declined by an average of 25 per cent when compared with that of the previous year.

In light of the severe situation, the Group decided to efficiently reduce its inventory during the year. Such an attempt enabled the Group to minimize its exposure in a highly volatile market. However, in doing so, the Group had to forfeit its profit margins, resulting in widened loss for the year under review. Provision for the obsolete inventory and impairment of certain production facilities further affected the Group's performance during the year.

Weathering the industry slump, the Group continued its effort in cost saving and efficiency enhancement. The Group's vertically integrated operations supported by upstream feedstock production enabled it to flexibly schedule work flow and effectively allocate its resources, thereby attaining cost reduction in production. These approaches, to a certain extent, mitigated the impact of a punishing market environment. Despite the adverse results, the Group maintained a relatively healthy cash flow.

Performance of the corn sweeteners division, which was operated through a separate listed subsidiary of the Company, was under the pressure of low sugar price, and thus failed to provide positive contribution to the Group.

The Group entered into compensation agreements with the Land Reserve Centre of Changchun Municipal Government at the end of December 2013, regarding the resumption of land of the Group in Changchun. Under the agreement, the Group is entitled to a compensation of approximately RMB167.2 million after the completion of transfer of land title. A gain before tax of RMB132 million was recognized in the year of 2013. As for the compensation for the buildings and fixtures erected in the Group's Changchun plant, the Group had reached a consensus with the Land Reserve Centre in January 2014. Pursuant to the compensation agreement, the Group is entitled to an aggregate compensation of RMB719 million with an estimated gain before tax of RMB123 million.

The Group announced at the end of 2013 the appointment of Mr. Kong Zhanpeng, Mr. Li Weigang and Mr. Wang Yongan as executive directors. The talents of new directors are expected to further strengthen the Group's overall strategic planning.

OUTLOOK

Lysine products are on the downslope of their business cycle, which has yet to show an obvious sign of upturn. Price of lysine remained weak in the first quarter of 2014. Market equilibrium continues to be jeopardized by excess supply from the market. However, steady economic growth in Mainland China and favourable performance of the US economy are expected to sustain stable demand for lysine, in particular as essential ingredient for animal feed.

With lysine ASP remaining at a low level, some of the inefficient manufacturers may not be able to withstand the market challenge for a prolonged period and market consolidation seems inevitable. Larger players are also under pressure to restrain their output. Therefore, it is likely for the market to begin a moderate recovery in the last quarter of the current year.

The Group plans to commence the relocation of its Changchun plant in the second quarter of the current year. As a result, the Group's amino acid production lines will be concentrated at Dehui District, Changchun while other facilities will be relocated to Xinglongshan. The relocation offers the Group the opportunity to upgrade its production technology utilizing state-of-the-art equipment and to move into more versatile facilities for diversification to manufacture of higher value-added products.

Considering the current operating environment of the Group's lysine business and the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, the Group has decided to scale down the production volume of lysine products planned for the current year. Accordingly operation of the lysine production facilities currently operated by Changchun Baocheng Bio-chem Development Co, Ltd. with annual production capacity of 200,000 metric tonnes has been suspended.

The Group will capitalise on its strong research and development capability to broaden its amino acid product range. New type of lysine is being developed to replace the Group's existing 98% lysine. High value-added products such as threonine and arginine are also under development.

In addition, after thorough review of its polyol chemical operations, the Group has decided to suspend the production of polyol chemicals due to unfavourable market conditions. Since the revenue and profit contribution from the production of polyol chemicals had been an insignificant to the Group in recent years, the suspension will not have material adverse impact on the operations and financial position of the Group. The Group is also finding ways to better ultilise the facility vacated by polyol operations in widening product mix.

Amid an adverse operating environment, the Group is well aware of the significance of a strong financial position and sound risk management. The Group strives to further lower its gearing through debt repayment, with proceeds from planned disposal of non-core asset. We believe only in time of difficulties, can a corporation demonstrates its adaptability. Being a world leading lysine player, the Group has, in the past decade, experienced a number of business cycles and has only emerged as a stronger entity with a further entrenched market position.

Liu Xiaoming
Chairman

31 March 2014

Management Discussion and Analysis

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

BUSINESS ENVIRONMENT

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

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

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

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

FINANCIAL PERFORMANCE

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

FINANCIAL PERFORMANCE *(Continued)*

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

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

Group Financial Performance

(Revenue: HK$9.7 billion (2012: HK$11.9 billion))
(Gross loss: HK$901 million (2012: Gross profit HK$1.5 billion))
(Net loss: HK$6,242 million (2012: HK$684 million))

The decline in financial performance was mainly due to (i) the decline in the average selling prices and demand of the Group's products which in particular, the sale of the Group's lysine products was affected by the recent emergence of the new bird flu strain; (ii) the impairment loss made by the Group for the inventories of the amino acids and polyol chemicals products due to the decrease of selling prices; (iii) the impairment loss of approximately HK$3.4 billion in total made by the Group for the polyol chemicals production facilities of approximately HK$2.0 billion in Xinglongshan, Changchun in view of the unfavourable market conditions, certain upstream production of approximately HK$125 million in Dehui, Changchun and Harbin and certain utility facilities of approximately HK$1.2 billion in Xinglongshan, Changchun due to insufficiency of cash flow generated from existing production lines to support the present value of such facilities and (iv) the increase of the average cost of corn kernels by 5% to HK$2,569 (2012: HK$2,446) per metric tonne ("MT") compared with last year.

Amino acids segment

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

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

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

The revenue and gross loss of amino acids major products, such as lysine, protein lysine, threonine, and etc. amounted to approximately HK$4.4 billion (2012: HK$6.5 billion) and approximately HK$278 million (2012: Gross profit: HK$1,276 million) respectively, which accounted for approximately 45% (2012: 54%) of the Group's total revenue.

FINANCIAL PERFORMANCE *(Continued)*

Amino acids segment *(Continued)*

Among the major products, lysine products contributed the most to the Group's operations, which are applied as an additive in animal feed. The average selling price of lysine, dropped 25% compared with last year, continued a downward trend since the last quarter of 2012 with a significant decrease in the gross profit of approximately 122% turned into gross loss contributed by a provision on closing inventories amounted to approximately HK$122 million (2012: Nil) and a provision of corn kernels of approximately HK$55 million (2012: Nil) is made owing to the dramatical decline in market selling price. This downturn cycle is mainly attributable to the additional production capacity launched from competitors, the adverse impact from the H7N9 bird flu outbreak and the slip in meat prices. The sales volume decreased by 10% year on year with the slowing demand in animal feed market.

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

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

Polyol chemicals segment

(Revenue: HK$996 million (2012: HK$1,288 million))
(Gross loss: HK$634 million (2012: HK$50 million))

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

The corn refinery in polyol chemicals segment has no direct external sales of corn starch, but directly processes glucose as an intermediary for the polyol chemicals segment as well as the amino acids segment. During the Year, the sales volume of the glucose to amino acids segment decreased by approximately 54% to approximately 149,000 MT (2012: 322,000 MT) compared with last year. The revenue and gross profit decreased by approximately 55% to approximately HK$360 million (2012: HK$804 million) and by approximately 98% to approximately HK$2 million (2012: HK$89 million) respectively.

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

FINANCIAL PERFORMANCE *(Continued)*

Polyol chemicals segment *(Continued)*

The polyol chemicals products generated revenue of approximately HK$206 million (2012: HK$200 million) and contributed gross loss amounting to approximately HK$507 million (2012: HK$102 million). Such deterioration was driven by consequential decline in market prices of chemical products due to unfavorable market conditions in the chemical industry. The market selling price of chemical products has been dropping dramatically since the second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals amounted to approximately HK$301 million at 31 December 2013 (2012: HK$121 million) was made. As a result, this business recorded a gross loss margin of approximately 246% (2012: 56%) during the Year. In view of the challenging operating conditions and continuing losses of the polyol chemicals business, the production of polyol chemicals has been suspended during the third quarter of 2013, and the management again has decided to suspend the operation of the production facility.

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

Corn sweeteners segment

(Revenue: HK$4.2 billion (2012: HK$4.5 billion))
(Gross profit: HK$138 million (2012: HK$351 million))

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

The operating environment of corn sweeteners was depressed by the increased raw material costs during the Year. The sales volume dropped by approximately 6% and revenue of corn sweeteners division decreased by approximately 7% as compared with last year. The gross profit from this segment decreased to approximately HK$138 million (2012: HK$351 million), with a gross profit margin of approximately 3% (2012: 8%).

Consolidated results by product series

The consolidated revenue and gross profit/(loss) of the Group's products sold to external customers decreased substantially by approximately 19% and 159% respectively during the Year, which were mainly attributable to the drop in average selling prices and the rise in average cost of goods sold. The consolidated figures in sales volume, average selling price, average cost of goods sold, revenue and gross profit/(loss) for the Year and the corresponding period last year as categorized by products are summarised as follows:

FINANCIAL PERFORMANCE *(Continued)*

Consolidated results by product series *(Continued)*

For the year ended 31 December 2013

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

For the year ended 31 December 2012

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

Export Sales

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

FINANCIAL PERFORMANCE *(Continued)*

Operating expenses, finance costs and income tax expense

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

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

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

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

During the Year, Changchun Dahe Bio Technology Development Co., Ltd ("Dahe") paid approximately HK$886 million to Global Corn Investments (HK) Limited and Global Bio-chem Technology Investments (HK) Limited, which generated a withholding tax amounting approximately HK$44 million (2012: Nil). Meanwhile, for sake of prudence, an additional of HK$11 million deferred tax provision which related to the distributable profits of Changchun Dacheng Industrial Group Co., Ltd was made. During the Year, a tax provision of approximately HK$37 million (2012: Nil) accrued for the inter-company loan interest. Furthermore, GBT Europe GmbH ("GBTE") incorporated in Germany made a tax provision of approximately HK$21 million related to transfer pricing adjustment and a tax provision of approximately HK$32 million regarding to income tax in deemed income. Besides, due to the unfavorable market conditions, a provision of deferred tax assets amounting approximately HK$52 million (2012: Nil) was made during the year. The total income tax amounting to approximately HK$223 million (2012: HK$11 million) was charged for the Year representing an increase of approximately 1,912% over last year.

FINANCIAL PERFORMANCE *(Continued)*

Profit/loss shared by non-controlling shareholders

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

On 23 May 2013, the Group acquired all of the equity interest of Dacheng Bio-tech Development Co., Ltd ("Dacheng Bio-tech") and Changchun GBT Bio-Chemical Co., Ltd. ("JBT"). On the date of the acquisition, Dacheng Bio-tech and JBT recorded a profit of approximately HK$55 million and a loss of approximately HK$351 million respectively which gave rise to the profit shared by the non-controlling shareholders of Dacheng Bio-tech which amounted to approximately HK$16 million (2012: HK$7 million) and the loss share by the non-controlling shareholders of JBT amounted to approximately HK$60 million (2012: Nil).

During the Year, the Group acquired 51% of the entired issued share capital of the holding company of Changchun Wanxiang Corn Oil Co., Ltd ("Wanxiang"), which is a wholly foreign owned enterprise established in the PRC principally engaged in the manufacture and sales of corn oil. Wanxiang recorded a loss of approximately HK$3.4 million (2012: Nil) in which gave rise to the loss share by the non-controlling shareholders of Wanxiang amount to approximately HK$1.7 million (2012: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

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

Structure of interest bearing borrowings

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

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 51% (31 December 2012: 41%), approximately 43% (31 December 2012: 48%) and approximately 6% (31 December 2012: 11%), respectively. The changes were mainly due to the increase of approximately HK$1.6 billion short term loan repayable within one year. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days remained at similar level at approximately 53 days (31 December 2012: 48 days). Meanwhile, the trade creditors turnover days increased to approximately 77 days (31 December 2012: 46 days) because a tightened payment policy has been put in place by the Group during the Year. On the other hand, as certain provisions were made for the inventories, the inventory turnover days improved to 115 days (31 December 2012: 128 days), simultaneously, the Group's stock level was decreased to approximately HK$3.3 billion (31 December 2012: HK$3.6 billion) during the Year.

Despite the increase of short term interest bearing borrowings of approximately HK$1.6 billion when compared to the position as at 31 December 2012, the current ratio and the quick ratio remained at similar level of approximately 1.0 (31 December 2012: 1.2) and 0.6 (31 December 2012: 0.7) respectively. It is because the increase in short term borrowings was offset by the decrease of operating cash flow. Moreover, due to the increase in short term borrowings and certain long terms assets impaired during the year, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 164% (31 December 2012: 62%) and to approximately 196% (31 December 2012: 72%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity worsen to approximately 52% (31 December 2012: 36%) and 192% (31 December 2012: 73%) respectively. In view of the continual support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchange risk of the fixed rate bonds in an aggregate amount of RMB450 million. Under the SWAP, the Group is liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 in return for 7% interest on the principal of RMB450 million semi-annually to 16 May 2014 and exchange the aforesaid US$69,875,776.40 into RMB450 million on 16 May 2014. The Directors believe that holding the SWAP to the maturity is the best interest to the Group. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Year and the Group did not have any material hedging instrument outstanding as at 31 December 2013.

ACQUISITION OF 60% INTEREST IN AN ASSOCIATED COMPANY

On 6 September 2013, the Group entered into an equity transfer agreement (the "Equity Transfer Agreement") with Shenzhen Liangyun Investment Co., Ltd. (the "Vendor") for the acquisition of 60% (the "Sale Interest") of the equity interest of Harbin Dacheng Bio Technology Co., Ltd. ("Harbin Dacheng"), a former associated company of the Company which is principally engaged in manufacture and sale of botanical straw based sweetener products and corn refinery. Immediately before the completion of the acquisition of the Sale Interest by the Group from the Vendor in accordance with the Equity Transfer Agreement, the Group held 40% of the equity interest of Harbin Dacheng and the Vendor held 60% of the equity interest of Harbin Dacheng. The purchase consideration for the acquisition was RMB101,997,200 (equivalent to HK$127,497,000). Completion of the acquisition took place in October 2013 and Harbin Dacheng became an indirect wholly-owned subsidiary of the Company.

LITIGATIONS

Alleged infringement of EP 0.773.710 (entitled "process for producing L-lysine by fermentation") ("EP '710")

Pursuant to the writ served on the Company and certain of its wholly owned subsidiaries ("Relevant Group Members") on 22 October 2013, Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") alleged that the Relevant Group Members have infringed EP '710 and requested for preliminary relief proceedings to be held before the District Court in The Hague, the Netherlands (the "**District Court**").

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

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

The Group is currently seeking legal advice in relation to the above judgment. Up to 31 March 2014, in respect of the penalties as set out in the previous judgment referred to in paragraph (i) above, the Plaintiffs have demanded for, and the Group has paid, a penalty of an amount of EUR60,000 and it is expected that the Plaintiffs may make further demand on the penalties.

LITIGATIONS *(Continued)*

Previous judgment concerning EP '710 and EP '712

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

STATUS OF OTHER INFRINGEMENT LITIGATIONS

The Relevant Group Members are involved in certain litigations in the Netherlands initiated by the Plaintiffs against the Relevant Group Members.

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

Pursuant to the writs of summons received by the Relevant Group Members on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands ("**Court**"), the Plaintiffs alleged that the Relevant Group Members have infringed EP '318 and requested the Court to rule that the Relevant Group Members have committed infringement and to make orders against the Relevant Group Members for, among others things, (i) forbidding the Relevant Group Members to commit infringement, or in any case to be involved in and/or benefit from infringing activities with regard to the Dutch part of the Relevant Patent; (ii) forbidding the Relevant Group Members to be involved in and/or benefit from the commercial trade of L-lysine on the Dutch market for a period of one year; (iii) providing to the counsel of the Plaintiffs an overview of the turnovers and net profits realized with the infringing L-lysine products; (iv) requesting all buyers of the Relevant Group Members with registered offices in the Netherlands to return the infringing L-lysine products; (v) placing a message on the website of the Company regarding the infringement; (vi) surrendering and destroying the stored infringing L-lysine products in the Netherlands; (vii) paying penalty of EUR100,000 per day for non-compliance of any of the above orders; (viii) paying for the cost of the legal proceedings; and (ix) paying either the net profit enjoyed with the infringement and interest accrued thereon as the Plaintiffs may claim, or the net profit enjoyed by the Relevant Group Members or the damage, costs of which to be assessed by the Court.

On 8 January 2014, a response was filed on behalf of the Relevant Group Members disputing the allegations of infringement and by way of counterclaim requesting invalidation of the invoked patent. The Plaintiffs may file a response to the aforementioned counterclaim by 5 March 2014 and an oral hearing is scheduled for 13 June 2014. The Directors have been advised by the Group's legal counsel that the Group has ground to defend against the claims.

Alleged infringement of EP 0.796.912 (entitled "novel lysine decarboxylase gene and process for producing L-lysine") ("EP '912")

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

For other litigations in other countries, the Directors have been advised by the Group's legal counsel that the Group has ground 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 2013.

RESUMPTION OF LAND, BUILDINGS, MACHINERIES AND FIXTURES

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

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

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

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

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

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

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

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

SCALE DOWN OF PRODUCTION VOLUME FOR LYSINE PRODUCTS AND SUSPENSION OF POLYOL CHEMICALS PRODUCTION

Having considered (i) the current operating environment of the Group's lysine business, in particular the market demand and the average selling prices of lysine products and (ii) the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, the Group has decided to scale down the production volume for lysine products planned for the year ending 31 December 2014. As such, operation of the lysine production facilities currently operated by Changchun Baocheng Bio-chem Development Co, Ltd. with annual production capacity of 200,000 MT has been suspended. Production volume for lysine products will be adjusted according to market sentiment.

In addition, due to unfavorable market conditions, the production of polyol chemicals at the production plant of the Group has been suspended. The production of polyol chemicals accounted for 2.1% for the year ended 31 December 2013 (2012: 1.7%) of the total revenue of the Group, and had an insignificant contribution to the Group's profit for the above periods. As such, the Directors consider that the suspension of production of polyol chemical products at the production plant of the Group will not have material adverse impact on the operations and financial position of the Company.

OUTLOOK

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

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

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LIU Xiaoming aged 58, 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 in 2001 and he is also the director of various subsidiaries of the Company.

XU Ziyi (formerly known as Xu Yi), aged 44, is an executive Director appointed on 2 April 2012 and she is also the director of various subsidiaries of the Company. She is responsible for overseeing the finance, management accounting and treasury 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 is 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 Ms. Zhang Xiuzhen, a senior management of the Group.

WANG Guifeng aged 63, 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 resigned as an executive Director on 30 December 2013. Ms. Wang was appointed as an executive director of GSH on 3 March 2014.

KONG Zhanpeng aged 50, was appointed as an executive Director on 30 December 2013. Mr. Kong graduated from China Textile University with a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University. Mr. Kong has over 16 years of extensive experience in corporate development and management. Mr. Kong is the executive director and chairman of GSH, and is also a director of various subsidiaries of the Company.

LI Weigang aged 55, was appointed as an executive Director on 30 December 2013. Mr. Li 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 an assistant general manager in 2001, Mr. Li has held senior positions in various financial institutions in the PRC. He has over 20 years of experience in corporate finance and general management. Mr. Li was a senior management of the Company before his appointment as an executive Director and is currently general manager of the Group.

WANG Yongan aged 43, was appointed as an executive Director on 30 December 2013. Mr. Wang graduated from Jilin University and holds a bachelor's degree in Chinese Language. Mr. Wang joined the Group as assistant to chairman and senior of general office in 2007, and is currently the director of sales and marketing of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 53, 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 24 years' experience in accounting, auditing, taxation and management consulting. He was appointed as an independent non-executive Director in September 2000. Mr. Lee was an independent non-executive director of FAVA International Holdings Limited (stock code: 08108) a listed company in Hong Kong, during the period from June 2006 to November 2011.

CHAN Man Hon, Eric aged 57, is a solicitor and has been practising in Hong Kong for over 29 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 in November 2000. Mr. Chan is also a non-executive director of Southeast Asia Properties & Finance Limited (stock code: 00252), a listed company in Hong Kong, since January 2005. Mr. Chan was an independent non-executive director of Emperor International Holdings Limited (stock code: 00163), a listed company in Hong Kong, during the period from February 2001 to August 2013.

LI Defa aged 59, is the Dean of the College of Animal Science and Technology, China Agricultural University. He was elected as member in agriculture of Chinese Academy of Engineering in December 2013. 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

CHU Lalin aged 51, 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 45, 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 the Group in 1997.

ZHANG Xiuzhen aged 69, 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, the former co-chairman of the Group and a former executive Director, and the mother of Ms. Xu Ziyi, an executive Director.

CHEUNG Kin Po aged 42, is the company secretary and financial controller of the Company. 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 16 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial function.

YU Vicky aged 36, is the head of corporate finance and strategy. Ms. Yu joined the Group in year 2000 and she is currently responsible for the business developments, corporate finance activities and investor relationship management of the Group. She has over 13 years' experience in investor relations community and has been ranked among the Best Investor Relations Representative in China from financial community in 2004. She holds a bachelor's degree in finance from the University of Alberta in Canada, Certificate of Investor Relations of UK Investor Relation Society, and is also an executive committee member of Hong Kong Investor Relations Association.

Corporate Governance Report

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 considers that the Company has complied with the code provisions as laid down in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

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

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 2013 are set out in the table below:

Name of Directors	Board meetings	Written Board Resolution	AGM	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Corporate Governance Committee meetings
Executive Directors							
Liu Xiaoming	4/4	3/3	1/1		2/2	2/2	1/1
Xu Ziyi	3/4	3/3	0/1				
Wang Guifeng*	2/4	3/3	1/1				
Kong Zhanpeng**	–	–	–				
Li Weigang**	–	–	–				
Wang Yongan**	–	–	–				
Independent Non-Executive Directors							
Lee Yuen Kwong	4/4	3/3	1/1	2/2	2/2	2/2	1/1
Chan Man Hon, Eric	4/4	3/3	1/1	2/2	2/2	2/2	1/1
Li Defa	4/4	3/3	0/1	2/2			

* resigned on 30 December 2013

** appointed on 30 December 2013

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 eight Directors, including five executive Directors and three independent non-executive Directors. To the best knowledge of the Company, save that Ms. Xu Ziyi is the daughter of the late Mr. Xu Zhouwen, the former co-chairman of the Group and a former executive Director, 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 18 to 19 of this report.

Chairman and Chief Executive Officer

The Company did not have any officer with the title "chief executive officer". As of the date of this report, Mr. Liu Xiaoming is the chairman of the Company, who also resumes the function as 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 code provision 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 2013, 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 the Listing Rules, regulatory requirements and internal codes of conduct of the Company. Mr. Cheung has attained no less than 15 hours of relevant professional training during the Year.

DIRECTORS' REMUNERATION

During the Year, the Directors' remuneration were as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Fees	**1,200**	1,200
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**7,200**	11,460
Performance related bonuses	**—**	—
Equity-settled share option expenses	**—**	—
Pension scheme contributions	**30**	29
	7,230	11,489
Total	**8,430**	12,689

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 2013, the executive Directors were not entitled to any bonus (2012: Nil) 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:

	2013 **HK$'000**	2012 HK$'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 (2012: 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 expenses** *HK$'000*	**Pension scheme contributions** *HK$'000*	**Total remuneration** *HK$'000*
2013					
Executive Directors:					
Liu Xiaoming	3,960	–	–	15	3,975
Wang Guifeng[1]	1,800	–	–	–	1,800
Xu Ziyi	1,440	–	–	15	1,455
Total	7,200	–	–	30	7,230
2012					
Executive Directors:					
Liu Xiaoming	3,960	–	–	14	3,974
Xu Zhouwen[2]	2,310	–	–	–	2,310
Xu Ziyi[3]	1,080	–	–	11	1,091
Wang Guifeng	1,800	–	–	–	1,800
Cheung Chak Fung[4]	2,160	–	–	4	2,164
Zhang Fusheng[5]	150	–	–	–	150
Total	11,460	–	–	29	11,489

(1) resigned on 30 December 2013
(2) passed away on 20 August 2012
(3) appointed on 2 April 2012
(4) retired on 8 May 2012
(5) 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 2013 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

Note: Mr. Li Weigang was appointed as an executive Director on 30 December 2013.

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 CG code.

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.

The duties of Audit Committee are, among others, to review the Company's half-yearly and annual 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 21 of this report.

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The members of the 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. The Remuneration Committee also assess performance of executive Directors and approve the terms of executive Directors' service contracts.

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 21 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, determining policy for the nomination of directors, including the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommending candidates for directorship during the year. The Nomination Committee also reviews 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, and reviews the board diversity policy adopted by the Company. Pursuant to the board diversity policy adopted by the Board, when reviewing the composition of the Board and considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership, cultural and educational background, race, gender, age and professional ethics of potential candidates and also business needs of the Company.

With reference to the business needs of the Group, the following measurable objectives have been set for implementing the Board diversity policy: (a) a prescribed proportion of Board members shall be independent non-executive Directors; (b) a prescribed proportion of Board members shall have attained bachelor's degree or above; (c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; (d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialized in; and (e) a prescribed proportion of Board members shall have China-related work experience. Based on its review, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy of the Company.

During the Year, the Nomination Committee held two meetings to adopt the Board Diversity Policy and appoint of executive Directors. The attendance record, on a named basis, is set out in the table on page 21 of this report.

BOARD COMMITTEES *(Continued)*

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 Board and its committees' compliance with their respective terms of reference and relevant requirements under the Corporate Governance Code, or other applicable laws, regulations, rules and codes.

During the Year, the Corporate Governance Committee held one meeting to adopt the diversity of the function of the Board. The attendance record, on a named basis, is set out in the table on page 21 of this report.

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 2013, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments 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 to 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 the 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 the 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 2013, 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 Year.

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.

Auditors' Remuneration

For the year ended 31 December 2013, HK$8,466,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$2,708,000 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	121
Others	1,741
Total	1,862

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Group establishes an investor relations program and maintains a continuous two-ways communication with the investment community and its Shareholders through a numbers of activities in order to sustain a well transparency of the Company and accurate information availability. The Group reports to its Shareholders twice a year and maintains a regular dialogue with investment community by arranging regular one-on-one meetings, telephone conference calls, analyst briefings after each results announcement, global road-show, corporate days and site visits, and actively participation in investment forums organized by international investment banks. The Group also maintains a current distribution list of investors to provide them with corporate news and announcement through e-mails. In addition, corporate information and appropriate updates are made available to investors in a timely manner at the Company's website, www.globalbiochem.com, under the section of "Investors Relations", including publication of annual and interim reports, notices, announcements, company news, and circulars.

The annual general meeting provides a valuable forum for Shareholders to exchange views with the Board and make direct communications. 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 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.

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.

SHAREHOLDERS' RIGHTS *(Continued)*

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 2013.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2013.

31 March 2014

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2013.

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 20 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 155.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

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 156. 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 2013	Exercised during the Year	Lapsed during the Year	At 31 December 2013	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options *HK$*	Closing price immediately before the grant date *HK$*	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)	Nil	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
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
	4,600,000	–	(1,500,000)	3,100,000							

* resigned on 30 December 2013

As at the date of this report, 3,100,000 Shares were available for issue under the Scheme, representing approximately 0.09% of the issued share capital of the Company as at that date.

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	At 1 January 2013	Number of share options Exercised during the Year	Lapsed during the Year	At 31 December 2013	Date of grant of share options	Exercise period of share options	Vesting period of share option	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share	Weighted average closing price immediately before the exercise date HK$ per share	Closing price at exercise date of option HK$ per share
Kong Zhanpeng	6,000,000	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Zhang Fazheng	2,000,000	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Xu Zhouwen*	6,000,000	–	(6,000,000)	Nil	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Lee Chi Yung	4,000,000	–	–	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Chan Yuk Tong	2,000,000	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Ho Lic Ki	2,000,000	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Employees	3,400,000	–	–	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Other participant	6,000,000	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
	31,400,000	–	(6,000,000)	25,400,000							

* Passed away on 20 August 2012

As at the date of this report, 25,400,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 1.66% of the issued share capital of GSH as at that date.

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 2013, 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$494,015,000. 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 2013 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 3% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 58% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 45% 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 Ziyi	
Kong Zhanpeng	(appointed on 30 December 2013)
Li Weigang	(appointed on 30 December 2013)
Wang Yongan	(appointed on 30 December 2013)
Wang Guifeng	(resigned on 30 December 2013)

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. By virtue of article 108(A) of the articles of association, Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa will retire as Directors.

In addition, pursuant to article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company (in the case of a Director appointed to fill a casual vacancy) or the next following annual general meeting of the Company (in the case of a Director appointed as an additional Director) and shall then be eligible for reelection at the meeting. By virtue of article 112 of the articles of association, the office of Mr. Kong Zhanpeng, Mr. Li Weigang and Mr. Wang Yongan, all being executive Directors, will end at the forthcoming annual general meeting.

DIRECTORS *(Continued)*

Mr. Kong Zhanpeng will not offer himself for re-election at the AGM. Save for Mr. Kong, all the above Directors, being eligible, will offer themselves for re-election at the AGM.

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 18 to 19 of the annual report.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

The executive Directors, Mr. Liu Xiaoming has entered into a service agreement with the Company for a term of three years commencing on 1 March 2004, Ms. Wang Guifeng 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. Mr. Kong Zhanpeng, Mr. Li Weigang and Mr. Wang Yongan, has each entered into a service agreement with the Company for a term of three years commecning on 30 December 2013. Each of the above service contracts 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. Ms. Wang Guifeng resigned as an executive Director on 30 December 2013.

The independent non-executive Directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric have each 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.

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

As recommended by the Remuneration Committee on 11 December 2013 and approved by the Board on 30 December 2013, the remuneration of two executive Directors, being Ms. Wang Guifeng (who resigned as an executive Director on 30 December 2013) and Ms. Xu Ziyi have been increased. Under the service agreement entered into between the Company and Ms. Wang Guifeng dated 29 September 2010, her remuneration has been increased to an amount of HK$150,000 and RMB28,000 per month with effect from 1 June 2013. On the other hand, under the service agreement entered into between the Company and Ms. Xu Ziyi dated 2 April 2012, her remuneration has been increased to an amount of HK$120,000 and RMB5,860 per month with effect from 1 January 2013; and HK$120,000 and RMB28,000 per month with effect from 1 June 2013.

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 2013.

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 2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the 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. Xu Ziyi	*2*	1,550,000	–	1,550,000	0.05
Mr. Kong Zhanpeng*	*3*	18,256,000	241,920,000	260,176,000	7.97
	4		Bonds in the principal amount of RMB3,000,000	Bonds in the principal amount of RMB3,000,000	N/A

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

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

		Number of shares held capacity and nature of interest			
Name of director	*Note*	Directly beneficially owned	Through controlled corporation	Number of shares held	Approximate percentage of the issued share capital of GSH
Mr. Liu Xiaoming	*5*	6,000,000	–	6,000,000	0.39
Mr. Kong Zhanpeng*	*6*	6,000,000	1,984,000	7,984,000	0.52

* appointed on 30 December 2013

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. 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.

3. Among these interests, 241,920,000 of which are owned by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

4. These 7.0% guaranteed bonds due 2014 are held by Hartington Profits Limited.

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

6. Among these interests, 1,984,000 of which are ordinary shares of GSH owned by Hartington Profits Limited, and 6,000,000 shares are underlying shares comprised in the option granted to Mr. Kong Zhanpeng pursuant to the share option scheme of GSH.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had any interests 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 2013, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

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

L = long position

Notes:

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

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

3. These shares were held as to 12,449,920 shares by Mr. Wang Tieguang, a former Director 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.

4. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng, an executive Director and an executive director of GSH. Mr. Kong is the sole director of Hartington Profits Limited.

Save as disclosed above, as at 31 December 2013, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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 2013.

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
31 March 2014

EY 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 44 to 155, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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' judgment, 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.

AUDITORS' RESPONSIBILITY *(Continued)*

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

BASIS FOR QUALIFIED OPINION

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

QUALIFIED OPINION

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

EMPHASIS OF MATTER

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

Ernst & Young
Certified Public Accountants

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

31 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**9,686,643**	11,908,082
Cost of sales		**(10,587,530)**	(10,376,091)
Gross profit/(loss)		**(900,887)**	1,531,991
Other income and gains	5	**588,049**	107,237
Selling and distribution expenses		**(762,459)**	(770,380)
Administrative expenses		**(717,477)**	(458,799)
Other expenses	6	**(3,520,221)**	(367,371)
Finance costs	7	**(673,399)**	(585,295)
Share of losses of joint ventures		**—**	(1,324)
Share of losses of associates		**(27,899)**	(9,346)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(6,014,293)**	(553,287)
Income tax expense	10	**(222,584)**	(11,062)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(6,236,877)**	(564,349)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(5,397)**	(119,819)
LOSS FOR THE YEAR		**(6,242,274)**	(684,168)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**293,667**	134,342
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Deficit on property revaluation		**(266,072)**	—
Income tax effect		**69,745**	—
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(196,327)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**97,340**	134,342
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,144,934)**	(549,826)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss attributable to:			
Owners of the parent	11	**(6,081,097)**	(554,508)
Non-controlling interests		**(161,177)**	(129,660)
		(6,242,274)	(684,168)
Total comprehensive loss attributable to:			
Owners of the parent		**(6,003,018)**	(438,659)
Non-controlling interests		**(141,916)**	(111,167)
		(6,144,934)	(549,826)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the year	14	**HK$(1.86)**	HK$(0.17)
— For loss from continuing operations		**HK$(1.86)**	HK$(0.15)
Diluted			
— For loss for the year	14	**HK$(1.86)**	HK$(0.17)
— For loss from continuing operations		**HK$(1.86)**	HK$(0.15)

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 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**9,527,647**	13,169,329
Prepaid land lease payments	16	**812,925**	687,193
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**8,904**	399,807
Goodwill	17	**344,553**	348,428
Intangible assets	18	**5,434**	29,079
Deferred tax assets	33	**25,153**	91,113
Investments in associates	21	**—**	85,947
Trade receivables	23	**—**	168,090
Total non-current assets		**10,724,616**	14,978,986
CURRENT ASSETS			
Non-current assets held for sale	19	**759,480**	—
Inventories	22	**3,341,568**	3,645,280
Trade and bills receivables	23	**1,419,257**	1,577,271
Prepayments, deposits and other receivables	24	**952,114**	1,288,184
Due from associates	40	**31,110**	134,984
Equity investments at fair value through profit or loss	25	**93,581**	34,079
Tax recoverable		**—**	9,080
Derivative financial instruments		**19,021**	—
Pledged deposits	26	**133,996**	—
Cash and cash equivalents	26	**1,309,997**	1,266,470
Total current assets		**8,060,124**	7,955,348
CURRENT LIABILITIES			
Trade and bills payables	27	**2,225,258**	1,300,917
Other payables and accruals	28	**1,063,113**	915,405
Interest-bearing bank borrowings	29	**4,954,609**	3,403,591
Bonds	30	**44,483**	—
Put option	31	**—**	868,795
Tax payable		**164,145**	90,823
Total current liabilities		**8,451,608**	6,579,531
NET CURRENT ASSETS/(LIABILITIES)		**(391,484)**	1,375,817
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,333,132**	16,354,803

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,333,132**	16,354,803
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**4,798,173**	4,762,988
Bonds	*30*	**–**	44,076
Derivative financial instruments		**–**	8,353
Deferred tax liabilities	*33*	**230,304**	268,118
Deferred income	*32*	**209,747**	33,092
Total non-current liabilities		**5,238,224**	5,116,627
Net assets		**5,094,908**	11,238,176
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*34*	**326,349**	326,349
Reserves	*36(a)*	**3,926,289**	9,343,820
		4,252,638	9,670,169
Non-controlling interests		**842,270**	1,568,007
Total equity		**5,094,908**	11,238,176

Liu Xiaoming
Chairman

Xu Ziyi
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

Year ended 31 December 2012

		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
Control obtained over joint ventures	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

Year ended 31 December 2013

		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 2013		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
Loss for the year		–	–	–	–	–	–	–	(6,081,097)	–	–	(6,081,097)	(161,177)	(6,242,274)
Other comprehensive income for the year:														
Deficit on property revaluation		–	–	–	(191,029)	–	–	–	–	–	–	(191,029)	(5,298)	(196,327)
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–	–	–	–	–	269,108	–	–	–	269,108	24,559	293,667
Total comprehensive loss for the year		–	–	–	(191,029)	–	–	269,108	(6,081,097)	–	–	(6,003,018)	(141,916)	(6,144,934)
Transfer of share option reserve upon the forfeiture of share options of a subsidiary	35	–	–	(3,540)	–	–	–	–	3,540	–	–	–	–	–
Transfer of share option reserve upon the forfeiture of share options	35	–	–	(525)	–	–	–	–	525	–	–	–	–	–
Control obtained over an associate	37	–	–	–	–	–	–	(1,489)	–	–	–	(1,489)	–	(1,489)
Acquisition of non-controlling interests		–	–	–	–	(127,310)	–	–	–	–	714,286	586,976	(586,976)	–
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	3,155	3,155
Transfer from retained profits	36(a)	–	–	–	–	–	3,368	–	(3,368)	–	–	–	–	–
At 31 December 2013		326,349	2,431,853*	16,073*	429,877*	15,677*	349,547*	1,873,945*	(1,190,683)*	–	–	4,252,638	842,270	5,094,908

* These reserve accounts comprise the consolidated reserves of HK$3,926,289,000 (2012: HK$9,343,820,000) in the consolidated statement of financial position as at 31 December 2013.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(6,014,293)**	(553,287)
From a discontinued operation		**(5,397)**	(119,819)
Adjustments for:			
Finance costs	7	**673,399**	585,295
Gain on exercise of a put option by non-controlling interests	5	**(187,500)**	—
Gain on bargain purchase	5	**(1,215)**	(13,479)
Bank interest income	5	**(4,384)**	(5,716)
Gain on disposal of items of property, plant and equipment	5	**(13,603)**	(516)
Gain on disposal of prepaid land premiums	5	**(55,485)**	—
Gain on resumption of land	5	**(186,298)**	—
Loss on disposal of biological assets		**—**	8,525
Exchange loss on exercise of a put option by non-controlling interests	6	**35,714**	—
Depreciation	15	**818,857**	641,194
Amortisation of prepaid land lease payments	16	**23,987**	23,287
Impairment of property, plant and equipment	15	**3,195,337**	8,249
Impairment of intangible assets	18	**21,342**	5,789
Impairment of goodwill	17	**3,875**	—
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	6	**176,685**	—
Write-off of other receivables		**13,960**	13,356
Amortisation for long term receivables	6	**—**	30,597
Provision/(write-back) for impairment of trade receivables	23	**(76,920)**	178,316
Share of losses of joint ventures		**—**	1,324
Write-down of inventories to net realisable value	6	**626,046**	119,865
Amortisation of deferred income	32	**(8,637)**	(3,619)
Amortisation of intangible assets	18	**3,059**	3,258
Share of losses of associates		**27,899**	9,346
Fair value (gains)/losses, net:			
— Derivative financial instruments	5	**(27,374)**	(616)
— Equity investments at fair value through profit or loss	5	**(1,483)**	(1,486)
— Guaranteed bonds	5	**(699)**	21,470
— Long term receivables	5	**(20,840)**	—
— Investments in joint ventures	5	**—**	1,710
— Investments in associate	6	**44,547**	—
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	5	**—**	(12,582)
Exchange differences reclassified from reserves when the associate became a subsidiary	5	**(1,489)**	—
		(940,910)	940,461

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Decrease in inventories		**13,754**	921,290
Decrease in trade and bills receivables		**463,360**	573,650
Decrease/(increase) in prepayments, deposits and other receivables		**356,144**	(227,349)
Increase in trade and bills payables		**799,182**	67,598
Decrease/(decrease) in other payables and accruals		**(63,929)**	155,289
Decrease in amounts due from joint ventures		**—**	332
Increase in amounts due from associates		**(30,684)**	(133,473)
Cash generated from operations		**596,917**	2,297,798
Interest received		**4,384**	5,716
Overseas taxes paid		**(81,013)**	(192,977)
Net cash flows from operating activities		**520,288**	2,110,537
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(152,046)**	(2,087,936)
Proceeds from disposal of items of property, plant and equipment		**38,526**	8,897
Proceeds from land compensation		**332,241**	—
Payment of prepaid land lease payments	16	**(7,914)**	(21,164)
Addition of breeding biological assets		**—**	(1,663)
Dividend received from joint ventures		**—**	7,636
Acquisition of subsidiaries		**(84,388)**	64,241
Purchase of financial products at fair value through profit or loss	25	**(58,734)**	—
Net cash flows from/(used in) investing activities		**67,685**	(2,029,989)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**4,271,198**	5,815,891
Repayment of bank loans		**(3,430,988)**	(5,844,106)
Interest paid		**(640,408)**	(485,981)
Exercise of a put option by non-controlling interests	31	**(750,000)**	—
Redemption of guaranteed bonds		**—**	(518,321)
Dividends paid		**—**	(64,967)
Pledged cash for issuance of bills payable	26	**(133,996)**	—
Acquisition of non-controlling interests		**—**	(6,315)
Net cash flows used in financing activities		**(684,194)**	(1,103,799)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(96,221)**	(1,023,251)
Cash and cash equivalents at beginning of year		**1,266,470**	2,222,166
Effect of foreign exchange rate changes, net		**139,748**	67,555
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,309,997**	1,266,470
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**1,222,830**	1,238,182
Non-pledged time deposits with original maturity of less than three months when acquired	26	**87,167**	28,288
Cash and cash equivalents as stated in the statement of cash flows		**1,309,997**	1,266,470

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**1,219,070**	1,077,716
Total non-current assets		**1,219,070**	1,077,716
CURRENT ASSETS			
Derivative financial instruments		**19,021**	—
Due from subsidiaries	20	**2,930,090**	2,987,169
Other receivables	24	**359**	—
Cash and cash equivalents	26	**133,259**	170,834
Total current assets		**3,082,729**	3,158,003
CURRENT LIABILITIES			
Bonds	30	**44,483**	—
Interest-bearing bank borrowings	29	**—**	77,500
Other payables and accruals	28	**9,870**	8,808
Total current liabilities		**54,353**	86,308
NET CURRENT ASSETS		**3,028,376**	3,071,695
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,247,446**	4,149,411
NON-CURRENT LIABILITIES			
Bonds	30	**—**	44,076
Derivative financial instruments		**—**	8,353
Financial guarantee contracts		**706,407**	439,783
Total non-current liabilities		**706,407**	492,212
Net assets		**3,541,039**	3,657,199
EQUITY			
Issued capital	34	**326,349**	326,349
Reserves	36(b)	**3,214,690**	3,330,850
Total equity		**3,541,039**	3,657,199

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 and corn based biochemical products.

2.1 BASIS OF PREPARATION

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

They have been prepared under the historical cost convention, except for guaranteed bonds, derivative financial instruments, equity investments at fair value through profit or loss and certain property, plant and equipment periodically remeasured at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$").

The Group recorded a consolidated net loss of HK$6,242 million (2012: HK$684 million) for the year ended 31 December 2013 and as at that date, the Group recorded net current liabilities of HK$391 million (31 December 2012: net current assets of HK$1,376 million). In view of these circumstances, the directors of the Company have taken the following steps to improve the Group's liquidity and solvency position.

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

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

2.1 BASIS OF PREPARATION *(Continued)*

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

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

The management expects the remaining compensation of approximately HK$760 million will be received from the government by end of year 2014. Further details on the relocation compensation have been disclosed in note 19 to the financial statements.

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

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

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

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

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

2.1 BASIS OF PREPARATION *(Continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)—Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, HKAS 1 Amendments, HKFRS 7 Amendments, HKAS 36 Amendments and certain amendments included in Annual Improvements 2009–2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

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

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

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

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 20 and 21 to the financial statements.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 42 to the financial statements.

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

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

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

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 15 and note 17 to the financial statements.

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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. 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.

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.

Fair value measurement

The Group measures certain of its property, plant and equipment, derivative financial instruments, guaranteed bonds, equity investments and available-for-sale investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 statement of profit or loss 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 the statement of 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal group held for sale". 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 the statement of 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 statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss 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.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with HKFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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 the statement of 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 the statement of 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 the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the statement of 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.

Non-current assets (or disposal group) held for sale

Non-current assets (or disposal group) held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Since its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale must be highly probable.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the disposal group) shall be measured in accordance with applicable HKFRSs. When the sale is expected to occur beyond one year, the costs to sell shall be measured at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a finance cost.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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 statement of profit or loss. 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 in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at as fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of 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 statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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, bonds and a put option.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

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 repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss 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 the statement of 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 statement of profit or loss.

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 statement of profit or loss.

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

Inventories

Inventories 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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 outside profit or loss, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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 statement of profit or loss 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 statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 in employee benefit expense. 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 statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the statement of 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.

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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement of profit or loss.

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 measured. 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, joint ventures 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 statement of profit or loss 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 statement of profit or loss.

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 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 which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, 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 75% (2012: 64%) of the total corn kernels purchased by the Group for the year and the trade payable to this Union Company amounted to HK$447 million (2012: prepayment of HK$294 million) at the year end date. 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.

Provision for a penalty

As further explained in note 44 to the financial statements, the Group is subject to a penalty arising from a violation of an injunction imposed by the court in the Netherlands. The provision for a penalty is made based on latest available information which includes the calculation method of the penalty as set out in the relevant judgment and advice from its external legal counsel to estimate the amount of penalty payable. The final outcome of the penalty has not been determined at the date of this report.

Classification of "non-current assets" and "non-current assets held for sale"

Certain non-current assets (other than goodwill) have been reclassified from non-current assets to current assets which are stated as "non-current assets held for sale". The reclassification is made when (i) the carrying amount of these assets will be recovered principally through a sale transaction rather than through continuing use; (ii) these assets must be available for immediate sale in its present condition subject only to terms that are usual and customary and (iii) the sale of such assets must be highly probable. To consider whether these criteria have been met, management will consider all the relevant facts and circumstances, including but not limited to, the existence of the potential purchaser(s) and the probability to obtain shareholders' approval (if applicable), in order to exercise its judgment. As at 31 December 2013, the Group recorded "Non-current assets held for sale" with a carrying value amounting to HK$759,480,000 (2012: Nil) which is related to the resumption of these assets pursuant to the relocation of the Group's production facilities located at Lu Yuan District as further disclosed in note 19 to the financial statements.

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

Determination of cash-generating units

In the process of impairment assessment of the Group's non-financial assets, management is required to identify cash generating units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of a cash-generating unit involves judgment. During the year ended 31 December 2013, a change of the identification of cash-generating units to that of the prior periods has been noted as a result of the Group's commencement of its relocation of production facilities from Lu Yuan District, Changchun, the PRC, to a new production site. Further details of the relocation of the production facilities are disclosed in note 19 to the 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 depreciated replacement cost ("DRC") approach, The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

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. Goodwill associated with the operation disposed of should be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operations disposed of and the portion of the cash-generating unit retained. To assess whether impairment exists for the goodwill being allocated to the operation to be disposed of, management has compared the aggregate carrying amounts of the relevant cash-generating units to be disposed of and the portion of the goodwill allocated to the estimated fair value less costs of disposal. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. The carrying amount of goodwill at 31 December 2013 was HK$344,553,000 (2012: HK$348,428,000). More details are given in note 17 to the financial statements.

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

Estimation uncertainty *(Continued)*

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 non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite lift intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset of a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

During the year ended 31 December 2013, management has identified the items of the non-current assets which will be retained at Lu Yuan District, Changchun, the PRC, which are recovered through compensation obtained from the local government. Further details of the resumption of assets and the relocation of the production facilities are disclosed in note 19 to the financial statements. In the process of the impairment assessment of these items, management estimated the fair value less cost of disposal to determine the respective recoverable amounts. As certain assets items do not have an active market which indicated the respective market prices, management has estimated based on its best estimates. For example, management has made reference to the previous basis of compensation which was agreed between parties. The carrying amount of property, plant and equipment as at 31 December 2013 was HK$9,527,647,000 (2012: HK$13,169,329,000).

3. SIGNIFICANT ACCOUNTING JUDGMENTS 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 judgment. A considerable amount of judgment 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 2013, the carrying amount of inventories was approximately HK$3,341,568,000 (2012: HK$3,645,280,000) after netting off the allowances for inventories of approximately HK$873,910,000 (2012: 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 2013, the best estimate of the carrying amount of capitalised development costs was nil (2012: HK$23,789,000).

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 judgment 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. Prior to the year, the Group used to have two reportable operating segments being the corn refined products segment, which engaged in the manufacture and sale of corn refined products, including corn starch, corn gluten meal and corn oil; and the corn based biochemical products segment, which engaged in the manufacture and sale of corn based biochemical products, including corn sweeteners, polyol chemicals and amino acids. During the year, in order to cope with the merger of certain subsidiaries engaged in activities of both the corn refined products segment and the corn based biochemical products segment, the following reportable operating segments are adopted by the Group to better allocate resources of the Group and assess performance of the different operating segments:

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

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

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

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

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

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

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

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

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)*

	Amino acids		Polyol chemicals		Corn sweeteners		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Revenue:										
External customer	**5,633,768**	7,611,272	**363,735**	460,532	**3,689,140**	3,836,278	**–**	–	**9,686,643**	11,908,082
Intersegment	**–**	198,205	**632,408**	827,412	**510,879**	683,868	**(1,143,287)**	(1,709,485)	**–**	–
Total revenue	**5,633,768**	7,809,477	**996,143**	1,287,944	**4,200,019**	4,520,146	**(1,143,287)**	(1,709,485)	**9,686,643**	11,908,082
Segment results	**(1,275,146)**	338,016	**(3,868,004)**	(276,665)	**(206,578)**	18,567	**–**	–	**(5,349,728)**	79,918
Bank interest income									**4,384**	5,716
Unallocated revenue									**28,153**	55
Unallocated expenses									**(23,703)**	(53,681)
Finance costs									**(673,399)**	(585,295)
Loss before tax									**(6,014,293)**	(553,287)
Income tax expense									**(222,584)**	(11,062)
Loss from a discontinued operation									**(5,397)**	(119,819)
Loss for the year									**(6,242,274)**	(684,168)

	Amino acids		Polyol chemicals		Corn sweeteners		Total	
	31 December 2013 HK$'000	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000
Segment assets	**13,130,435**	13,467,164	**4,476,520***	8,923,420	**3,952,139***	4,482,397	**21,559,094**	26,872,981
Reconciliation:								
Elimination of intersegment receivables							**(4,244,055)**	(5,211,802)
Cash and cash equivalents							**1,309,997**	1,266,470
Pledged deposits							**133,996**	–
Corporate and other unallocated assets							**19,377**	–
Assets related to a discontinued operation							**6,331**	6,685
Total assets							**18,784,740**	22,934,334
Segment liabilities	**2,185,108**	1,949,675	**4,735,544**	5,623,924	**1,202,588**	1,110,381	**8,123,240**	8,683,980
Reconciliation:								
Elimination of intersegment payables							**(4,244,055)**	(5,211,802)
Interest-bearing bank borrowings							**9,752,782**	8,166,579
Corporate and unallocated liabilities							**56,676**	56,239
Liabilities related to a discontinued operation							**1,189**	1,162
Total liabilities							**13,689,832**	11,696,158

* Included in polyol chemicals segment and corn sweeteners segment were non-current assets held for sale amounting to HK$753,980,000 and HK$5,500,000, respectively, reclassified from property, plant and equipment. Further details are detailed in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

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

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	
	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue			
Sale of goods		**9,686,643**	11,908,082
Other income			
Bank interest income		**4,384**	5,716
Net profit arising from the sale of packing materials and by-products		**38,998**	49,053
Government grants*		**39,554**	19,863
Others		**9,127**	7,738
		92,063	82,370
Gains			
Gain on disposal of items of property, plant and equipment		**13,603**	516
Gain on disposal of prepaid land premiums		**55,485**	—
Gain on bargain purchase	37	**1,215**	13,479
Gain on exercise of a put option by non-controlled interests	31	**187,500**	—
Gain on resumption of land	19	**186,298**	—
Fair value change in long term receivables		**20,840**	—
Fair value gains/(losses), net:			
— Derivative financial instruments		**27,374**	—
— Equity investments at fair value through profit or loss		**1,483**	—
— Bonds		**699**	—
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	37	**—**	12,582
Exchange differences reclassified from reserves when the associate became a subsidiary	37	**1,489**	—
Fair value loss of investments in joint ventures	37	**—**	(1,710)
		495,986	24,867
		588,049	107,237

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

6. LOSS BEFORE TAX

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

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Cost of inventories sold		**7,550,653**	7,607,610
Depreciation	*15*	**818,857**	640,319
Amortisation of prepaid land lease payments	*16*	**23,987**	23,287
Auditors' remuneration		**4,800**	4,500
Employee benefit expenses (including directors' remuneration *(note 8)*):			
Wages and salaries		**246,331**	195,748
Pension scheme contributions		**91,424**	44,173
		337,755	239,921
Other expenses:			
Exchange loss on exercise of a put option by non-controlling interests	*31*	**35,714**	—
Impairment of property, plant and equipment	*15*	**3,195,337**	—
Impairment of intangible assets	*18*	**21,342**	—
Impairment of goodwill	*17*	**3,875**	—
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**176,685**	—
Write-off of other receivables		**12,415**	—
Fair value losses of investments in associates	*37*	**44,547**	—
Research and development costs		**14,242**	119,286
Provision/(write-back) for impairment of trade receivables	*23*	**(76,920)**	119,735
Amortisation for long term receivables		**—**	30,597
Under provision of other taxes and penalty for prior years		**—**	36,405
Fair value (gains)/losses, net:			
— Derivative financial instruments		**—**	(616)
— Equity investments at fair value through profit or loss		**—**	(1,486)
— Bonds		**—**	21,470
Others		**17,431**	19,914
Foreign exchange difference, net		**75,553**	22,066
		3,520,221	367,371

6. LOSS BEFORE TAX *(Continued)*

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Share of losses of joint ventures		**—**	1,324
Write-down of inventories to net realisable value#		**626,046**	105,967
Amortisation of deferred income	32	**(8,637)**	(3,619)
Amortisation of intangible assets	18	**3,059**	3,258
Share of losses of associates		**27,899**	9,346
Fair value (gains)/losses, net:			
— Derivative financial instruments	5	**(27,374)**	—
— Equity investments at fair value through profit or loss	5	**(1,483)**	—
— Bonds	5	**(699)**	—
— Long term receivables	5	**(20,840)**	—
— Investments in joint ventures	5	**—**	1,710
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	5	**—**	(12,582)
Exchange differences reclassified from reserves when the associate became subsidiary	5	**(1,489)**	—
Gain on bargain purchase*	37	**1,215**	13,479

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

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

7. FINANCE COSTS

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

		Group	
	Note	**2013** **HK$'000**	2012 HK$'000
Interest on bank loans wholly repayable within five years		**604,445**	432,949
Interest on bank loans not wholly repayable within five years		**32,135**	164,412
Finance costs for discounted bills receivable		**3,582**	8,576
Interest on bonds		**2,985**	49,392
Interest on a put option	31	**32,991**	99,315
		676,138	754,644
Less: Interest capitalised		**(2,739)**	(169,349)
		673,399	585,295

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	**2013** **HK$'000**	2012 HK$'000
Fees	(a)	**1,200**	1,200
Other emoluments:	(b)		
Basic salaries, housing benefits, other allowances and benefits in kind		**8,400**	11,460
Pension scheme contributions		**30**	29
		8,430	11,489
		9,630	12,689

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 years ended 31 December 2013 and 2012, no bonus was paid to the executive directors and the chief executive.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2013 **HK$'000**	2012 HK$'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 (2012: 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
2013					
Executive directors:					
Mr. Liu Xiaoming	**3,960**	**–**	**–**	**15**	**3,975**
Ms. Wang Guifeng (resigned on 30 December 2013)	**1,800**	**–**	**–**	**–**	**1,800**
Ms. Xu Ziyi	**1,440**	**–**	**–**	**15**	**1,455**
Total	**7,200**	**–**	**–**	**30**	**7,230**
2012					
Executive directors:					
Mr. Liu Xiaoming	3,960	–	–	14	3,974
Mr. Xu Zhouwen*	2,310	–	–	–	2,310
Mr. Cheung Chak Fung (retired on 8 May 2012)	2,160	–	–	4	2,164
Ms. Xu Ziyi (appointed on 2 April 2012)	1,080	–	–	11	1,091
Ms. Wang Guifeng	1,800	–	–	–	1,800
Mr. Zhang Fusheng (resigned on 2 April 2012)	150	–	–	–	150
Total	11,460	–	–	29	11,489

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

8. DIRECTORS' REMUNERATION *(Continued)*

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 three (2012: four) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2012: one) non-director, highest paid employee for the year are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**7,560**	3,600
Performance related bonuses	**—**	—
Equity-settled share option expense	**—**	—
Pension scheme contributions	**15**	14
	7,575	3,614

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

	Group	
	2013	2012
	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	**2**	1
HK$4,500,001 to HK$5,000,000	**—**	—
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	**—**	—
	2	1

10. INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements for the current year because of loss brought forward in excess of assessable profits for the year (2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Mainland China	**88,277**	66,120
Current – Others	**53,153**	–
Deferred *(note 33)*	**81,154**	(55,058)
Total tax charge for the year	**222,584**	11,062

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

Group — 2013

	Hong Kong		Mainland China		Others		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Loss before tax from continuing operations	(15,987)		(5,864,609)		(133,697)		(6,014,293)	
Tax at the statutory rate	(2,638)	16.5	(1,465,859)	25.0	(41,446)	31.0	(1,509,943)	25.1
Preferential tax rate offered	–	–	85,363	(1.5)	–	–	85,363	(1.4)
Income not subject to tax	(148)	0.9	15,697	(0.3)	–	–	15,549	(0.3)
Tax losses not recognised	5,564	(34.8)	1,437,825	(24.5)	41,460	(31.0)	1,484,849	(24.7)
Expenses not deductible for tax	507	(3.1)	98,834	(1.7)	21,376	(16.0)	120,717	(2.0)
Adjustments in respect of current tax of previous periods	–	–	(1,830)	–	–	–	(1,830)	–
Tax losses utilised from previous periods	(3,285)	20.5	(599)	–	–	–	(3,884)	0.1
Tax provision for deemed income	–	–	–	–	31,763	(23.8)	31,763	(0.5)
Tax charge at the Group's effective rate	–	–	169,431	(3.0)	53,153	(39.8)	222,584	(3.7)

10. INCOME TAX *(Continued)*

Group – 2012

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

Except for the subsidiary as stated below, the statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2012: 25%).

Changchun Dahe Bio Technology Development Co., Ltd., was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 23 May 2016. It enjoyed a preferential income tax rate of 15% from 1 January 2010 onwards.

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

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 includes a loss of HK$116,160,000 (2012: profit of HK$155,999,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DISCONTINUED OPERATION

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

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

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

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

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

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

	2013	2012
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$(3,281,000)**	HK$(72,850,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 14)*	**3,262,868,616**	3,262,868,616
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 14)*	**3,262,868,616**	3,262,868,616

13. DIVIDENDS

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

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

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

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

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**(6,077,816)**	(481,658)
From a discontinued operation	**(3,281)**	(72,850)
	(6,081,097)	(554,508)

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,262,868,616	3,262,868,616

15. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2013	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvement, furniture, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost:					
1 January 2013	5,587,313	6,865,050	249,636	4,797,791	17,499,790
Additions	153,457	86,731	7,398	187,394	434,980
Acquisition of subsidiaries	303,449	363,008	4,484	21,186	692,127
Disposals	(1,140)	(38,363)	(45,676)	–	(85,179)
Transfers	1,109,127	2,932,621	1,299	(4,043,047)	–
Deficit on revaluation	(266,072)	–	–	–	(266,072)
Classified as non-current assets held for sale *(note 19)*	(351,714)	(768,546)	(6,456)	–	(1,126,716)
Exchange realignment	129,438	191,716	5,994	90,248	417,396
At 31 December 2013	6,663,858	9,632,217	216,679	1,053,572	17,566,326
Accumulated depreciation:					
1 January 2013	807,217	3,317,271	197,724	–	4,322,212
Depreciation provided during the year	196,417	604,243	18,197	–	818,857
Disposals	(184)	(15,401)	(28,566)	–	(44,151)
Classified as non-current assets held for sale *(note 19)*	(80,174)	(283,579)	(3,483)	–	(367,236)
Exchange realignment	18,546	82,137	4,728	–	105,411
At 31 December 2013	941,822	3,704,671	188,600	–	4,835,093
Impairment:					
1 January 2013	–	8,249	–	–	8,249
Addition	–	3,190,656	4,681	–	3,195,337
At 31 December 2013	–	3,198,905	4,681	–	3,203,586
Net book value:					
At 31 December 2013	5,722,036	2,728,641	23,398	1,053,572	9,527,647
At 31 December 2012	4,780,096	3,539,530	51,912	4,797,791	13,169,329
Analysis of cost or valuation:					
At cost	–	2,728,641	23,398	1,053,572	3,805,611
At 31 December 2013 valuation	5,722,036	–	–	–	5,722,036
	5,722,036	2,728,641	23,398	1,053,572	9,527,647

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

Group *(Continued)*

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					
Addition	–	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)*

Leasehold buildings

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

The Group's leasehold buildings were revalued individually at 31 December 2013 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK$5,722,036,000 based on their existing use. A deficit on revaluation approximately HK$196,327,000 after income tax effect of HK$69,745,000 is arose therefrom, among which, HK$191,029,000 has been debit to asset revaluation reserve attributable to the owners of the parent of the Group and HK$5,298,000 is attributed to the non-controlling interests during the year ended 31 December 2013.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold buildings stated at revalued amounts:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Industrial properties	–	–	5,722,036	5,722,036

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

	Industrial properties
	HK$'000
Carrying amount at 1 January 2013	4,780,096
Addition and transfer from construction in progress	1,262,584
Addition from business combination	303,449
Disposal and transfer to non-current assets held for sale	(272,496)
Depreciation provided during the year	(196,417)
Deficit on revaluation recognised in other comprehensive income	(266,072)
Exchange realignment	110,892
	5,722,036

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

Leasehold buildings *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of buildings:

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**
Industrial properties	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/sq.m) b. Administrative expense rate c. Developer's profit margin d. Interest rate e. Rate of newness	a. 550 to 5,500 b. 3% c. 8%-10% d. 6%-6.15% e. 60%-95%

The Group has determined that the highest and best use of the buildings at the measurement date would be to continue use as industrial building.

The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

A significant increase (decrease) in the estimated growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the leasehold building. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the leasehold building.

Other information

At 31 December 2013, the Group has not obtained building certificates for certain leasehold buildings with a total net carrying amount of HK$3,679,003,565 (2012: HK$2,974,879,460). 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$5,440,531,000 (2012: HK$3,960,979,000).

Included in the Group's property, plant and equipment as at 31 December 2013, were items of HK$2,292,314,000 (2012: HK$416,264,000) which are identified by the management to be recovered through sale pursuant to the relocation plan as imposed by the local government. These assets are located at the Lu Yuan District in Changchun, the PRC (see more details in the following note). In accordance with the current plan, management will not relocate these assets to the new production site. These assets are either operating under a less than normal capacity or became idle at the reporting date as to prepare for the relocation. Management has performed impairment assessment on these assets by comparing to their recoverable amount, no provision has been noted.

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

Impairment provision

During the year ended 31 December 2013, impairments have been recognised which are related to production facilities of the amino acids segment and polyol chemicals segment as a result of the unfavourable market condition and the inefficiency of certain polyol production facilities since resumption after relocation completed in 2012, which caused intermittent suspension of the production and significant increase in cash outflow.

	Amino acids	**Polyol chemicals**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Recoverable amount	4,676,149	2,335,049	7,011,198
Impairment during the year *(note 6)*	90,673	3,104,664	3,195,337

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 covering a fifteen-year period approved by senior management. The discount rate applied to the cash flow projections is 14%. No growth has been projected beyond the five-year period. Assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of property, plant and equipment:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the 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 amino acids, polyol chemicals and corn sweeteners industries, discount rates and raw materials price inflation are consistent with external information sources.

16. PREPAID LAND LEASE PAYMENTS

	Notes	Group 2013 HK$'000	2012 HK$'000
Carrying amount at 1 January		**710,511**	685,296
Additions		**7,914**	21,164
Acquisition of subsidiaries	37	**213,118**	19,829
Amortised during the year	6	**(23,987)**	(23,287)
Resumption of land	19	**(69,994)**	—
Disposal		**(20,465)**	—
Exchange realignment		**19,052**	7,507
Carrying amount at 31 December		**836,149**	710,509
Current portion included in prepayments, deposits and other receivables		**(23,224)**	(23,316)
Non-current portion		**812,925**	687,193

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

At 31 December 2013, the Group has not obtained land use right certificates for prepaid land lease payments with a total carrying amount of HK$14,779,000 (2012: HK$12,384,000).

As at 31 December 2013, prepaid land lease payments of HK$61,634,000 (2012: Nil) were pledged to secure bank loans.

Included in the Group's prepaid land lease payments as at 31 December 2013, were parcels of land of HK$283,467,000 (2012: HK$59,226,000) which are identified by the management to be recovered through sale pursuant to the relocation plan as imposed by the local government. These parcels of land are located at the Lu Yuan District in Changchun, the PRC (see more details in the following note). In accordance with the current plan, the local government will resume the land through a sale and purchase arrangement to be entered into by the parties.

17. GOODWILL

Group

	Note	Total HK$'000
At 1 January and 31 December 2012		
Cost		360,889
Accumulated impairment		(12,461)
Net carrying amount		348,428
Cost at 1 January 2013, net of accumulated impairment		348,428
Impairment during the year	6	(3,875)
Net carrying amount at 31 December 2013		344,553
At 31 December 2013:		
Cost		360,889
Accumulated impairment		(16,336)
Net carrying amount		344,553

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:

	2013 HK$'000	2012 HK$'000
Corn refinery plants	**28,442**	162,640
Amino acids	**—**	25,927
Polyol chemicals	**—**	3,875
Corn sweeteners	**—**	155,986
Assets to be retained in the Lu Yuan District, PRC	**316,111**	—
	344,553	348,428

17. GOODWILL *(Continued)*

During the year, due to the commitment of the relocation plan, the goodwill has been allocated to different assets groups. Other than as set out below, 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 covering a fifteen-year period approved by senior management. The discount rate applied to the cash flow projections is 14% (2012: 13%). No growth has been projected beyond the five-year period. Assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2013 and 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 amino acids, polyol chemicals and corn sweeteners industries, discount rates and raw materials price inflation are consistent with external information sources.

For goodwill associated with the cash-generating unit being identified to be disposed of, management has compared the carrying amount of the cash-generating unit together with goodwill allocated to the fair value less costs of disposal. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. During the year, goodwill of HK$316,111,000 has been allocated to the group of assets which were identified by the management to be retained in the Lu Yuan District pending for the disposal to the local government pursuant to a relocation plan. Based on the impairment assessment performed by the management, no provision had been noted.

The recoverable amount of the associated asset to be disposed of that goodwill is determined based on management estimated fair value less cost of disposal of the items of assets as associated therewith. The fair values of these items are determined by depreciated replacement cost approach. The following table illustrates the fair value measurement hierarchy of the recoverable amounts of the assets to be retained in the Lu Yuan District:

Fair value measurement as at 31 December 2013 using

	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Fair value measurement for:				
Land	—	—	502,506	502,506
Leasehold buildings[1]	—	—	1,497,769	1,497,769
Plant and equipment	—	—	904,013	904,013
Total	—	—	2,904,288	2,904,288

[1] Please refer to note 15 to the financial statements on fair value hierarchy for leasehold buildings.

18. INTANGIBLE ASSETS

Group

31 December 2013	**Golf club membership** *HK$'000*	**Trademarks** *HK$'000*	**Development costs** *HK$'000*	**Total** *HK$'000*
Cost at 1 January 2013	**5,290**	**—**	**23,789**	**29,079**
Business combination	**—**	**154**	**—**	**154**
Amortisation provided during the year	**—**	**(10)**	**(3,049)**	**(3,059)**
Impairment	**—**	**—**	**(21,342)**	**(21,342)**
Exchange realignment	**—**	**—**	**602**	**602**
As at 31 December 2013	**5,290**	**144**	**—**	**5,434**
At 31 December 2013:				
Cost	**5,290**	**154**	**29,949**	**35,393**
Accumulated amortisation	**—**	**(10)**	**(8,607)**	**(8,617)**
Impairment	**—**	**—**	**(21,342)**	**(21,342)**
Net carrying amount	**5,290**	**144**	**—**	**5,434**

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

19. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January:	**–**	–
Reclassified from properties, plant and equipment	**759,480**	–
Net carrying amount at 31 December	**759,480**	–

Pursuant to a Company's announcement on 23 September 2011, the Group committed to commencing a plan to relocate its production facilities located in Lu Yuan District, Changchun, the PRC ("Lu Yuan District") in response to the request of the local government. The relocation has been commenced and will be achieved in stages.

During the year ended 31 December 2013, the Group entered into compensation agreements with the Changchun Land Reserve Centre (the "Land Reserve Centre") pursuant to which the Group has accepted the resumption of certain parcels of land located at Lu Yuan District (the "Land Compensation Agreements"), and the Land Reserve Centre agrees to make compensation to the Group in aggregate of HK$256,292,000. The transactions were completed during the year, the related land with the carrying amount of HK$69,994,000 (note 16) has been derecognised and a gain on resumption of land which amounted to HK$186,298,000 (note 5) has been recognised in the current year.

Apart from the above, during the year ended 31 December 2013, (i) the Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the Group has agreed to the resumption of certain buildings, machineries and fixtures located in Lu Yuan District. The Land Reserve Centre agrees to make compensation to the Group which amounted to RMB86,480,000 (equivalent to HK$109,468,000). This transaction has not been completed as of the reporting date which is subject to the mutual agreement of the settlement terms; and (ii) the Group reached a consensus with the Land Reserve Centre pursuant to which the Group has agreed to the resumption of another items of buildings, machineries and fixtures located in Lu Yuan District, and the Land Reserve Centre shall agree to make compensation to the Group which amounted to RMB719,000,000 (equivalent to HK$910,127,000). This transaction has not been completed which is subject to the Company's shareholders' approval as required by the listing rules. No gain or loss has been recognised during the current year for (i) and (ii) above. Subsequent to the reporting date, RMB205,480,000 (equivalent to HK$260,101,000) has been received in advance.

With respect to (i) and (ii) as set out in the preceding paragraph, the related buildings, machineries and fixtures have been reclassified from the non-current assets "property, plant and equipment" to current assets "non-current assets held for sale". Management expect the sale of these assets will happen within twelve months after the reporting date.

Please refer to the Company's announcements dated 7 and 13 January 2014 for details of the relocation.

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,219,070**	1,077,716

The amounts due from subsidiaries included in the Company's current assets of HK$2,930,090,000 (2012: HK$2,987,169,000) 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/ registration and business	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	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	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

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	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 #	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	100	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 Co., Ltd. (Dacheng Bio-tech)#	PRC/Mainland China	RMB2,066,150,000	100	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 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
Global Sweeteners Trade Development (Dalian) Co. Ltd.*	PRC/Mainland China	US$9,100,000	64	International trading, exhibition and consultation

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
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	HK$1,000	64	Investment holding
Harbin Dacheng Bio Technology Co., Ltd.@#	PRC/Mainland China	RMB170,000,000	100	Manufacture and sale of corn based sweetener products
Changchun Wanxiang Corn Oil Co., Ltd.@*	PRC/Mainland China	HK$12,000,000	51	Manufacture and sale of corn oil products

* 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.

21. INVESTMENTS IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Share of net assets	**–**	85,947

The Group's balances with its associates as at 31 December 2013 and 2012 are disclosed in note 40(iii) to the financial statements.

Particulars of the associate are as follows:

Company name	Place of incorporation/ registration and business	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	–	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

The Company's voting power held and profit sharing arrangement in relation to Dacheng Hexin is 40% (2012: 28%). The Group has discontinued the recognition of its share of losses of Dacheng Hexin because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$1,540,000 (2012: HK$2,034,000) and HK$3,982,000 (2012: HK$2,442,000), respectively.

As disclosed in note 37 to the financial statements, Harbin Dacheng was accounted for as an associated company of the Company before October 2013, and became an indirect wholly-owned subsidiary upon completion of a business combination in October 2013.

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

	2013	2012
	HK$'000	*HK$'000*
Asset	**52,714**	1,065,310
Liabilities	**60,845**	910,161
Revenues	**–**	–
Loss for the year	**(5,500)**	(25,392)

22. INVENTORIES

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

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

23. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

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.

Transferred financial assets that are not derecognised in their entirety

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

Transferred financial assets that are derecognised in their entirety

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

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current:				
Prepayments	**531,588**	865,642	**359**	—
Deposits and other receivables	**420,526**	422,542	**—**	—
	952,114	1,288,184	**359**	—

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	
	2013	2012
	HK$'000	*HK$'000*
Insurance product, at market value	**34,847**	34,079
Financial product, at market value	**58,734**	—
	93,581	34,079

Management designated the insurance product and financial product as financial assets at fair value through profit or loss, which are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

26. CASH AND CASH EQUIVALENTS

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

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

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

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

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Payables for purchases of machinery	**306,216**	310,532	**—**	—
Customer deposits/receipts in advance	**371,371**	240,556	**—**	—
Accruals	**98,654**	86,136	**4,870**	3,688
Others	**286,872**	278,181	**5,000**	5,120
	1,063,113	915,405	**9,870**	8,808

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

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans – secured	6.16-6.60	2014	132,747	–	–	–
Bank loans – unsecured	6.00-8.00/ HIBOR+1.5/ HIBOR+2/ LIBOR+3/ HIBOR+2.6/ Higher (HIBOR+3.3, bank funding cost+1.5)	On demand/ 2014	4,793,424	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
Long term bank loans repayable on demand – unsecured	HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (HIBOR+3.3, bank funding cost+1.5)/ HIBOR+1	On demand	28,438	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
			4,954,609			3,403,591
Non-current						
Bank loans – unsecured	6.40-7.315	2014-2020	4,789,084	6.40-7.315	2013-2020	4,752,655
Other loans – unsecured	–	2018-2019	9,089	–	2018-2019	10,333
			4,798,173			4,762,988
			9,752,782			8,166,579

Company

	2013			2012		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Long term bank loans repayable on demand – unsecured	–	–	–	LIBOR+4	On demand	77,500
			–			77,500

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**4,321,699**	3,403,591	**–**	77,500
In the second year	**3,100,477**	1,377,346	**–**	–
In the third to fifth years, inclusive	**1,139,241**	2,469,136	**–**	–
Beyond five years	**549,366**	906,173	**–**	–
	9,110,783	8,156,246	**–**	77,500
Other borrowings repayable:				
With one year	**632,910**	–	**–**	–
Beyond five years	**9,089**	10,333	**–**	–
	641,999	10,333	**–**	–
	9,752,782	8,166,579	**–**	77,500

As at 31 December 2013, certain of the Group's bank borrowings were pledged by bills receivable amounting to HK$105,091,000 (2012: Nil) and one piece of land amounting to HK$61,634,000 (2012: Nil), respectively.

As at 31 December 2013, the Group's bank borrowings were guaranteed by the Company, certain subsidiaries of the Group and independent third parties with amounts of approximately HK$6,981,023,000 (2012: HK$6,869,671,000), approximately HK$2,402,075,000 (2012: HK$1,209,074,000), and approximately HK$227,848,000 (2012: Nil), respectively.

As at 31 December 2013, the Group's bank and other borrowings of HK$9,634,747,000 (2012: HK$7,922,991,000), HK$23,847,000 (2012: HK$121,200,000) and HK$94,188,000 (2012: HK$122,388,000) were denominated in Renminbi, United States dollars and Hong Kong dollars, respectively.

30. BONDS

On 16 May 2011, the Company issued fixed rate guaranteed bonds (the "Bonds") in an aggregate amount of RMB450 million. The Bonds bear fixed interest at 7% per annum and will be fully repayable on 16 May 2014. The Bonds were 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 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 Bonds and sought the waiver of the rights of the holders of the Bonds and The Hongkong and Shanghai Banking Corporation Limited, as trustee of the 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 Bonds. On 11 December 2012, the Company announced that the Bonds in the aggregate principal amount of RMB414,600,000 had been purchased by the Company and had been cancelled and became unconditional. The principal aggregate amount of the outstanding Bonds amounted to RMB35,400,000 as at 31 December 2013 (2012: RMB35,400,000).

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.

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

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

31. PUT OPTION *(Continued)*

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

	Notes	2013 HK$'000	2012 HK$'000
Financial liabilities:			
At 1 January		**868,795**	769,480
Amortisation provided during the year	7	**32,991**	99,315
Exchange loss on exercise of a put option	6	**35,714**	—
Gain on exercise of a put option	5	**(187,500)**	—
Cash consideration		**(750,000)**	—
At 31 December		**—**	868,795

32. DEFERRED INCOME

The table below presents the movements of deferred income:

		Group	
	Notes	2013 HK$'000	2012 HK$'000
At 1 January		**33,092**	36,277
Addition		**38,549**	—
Acquisition of a subsidiary	37	**145,933**	—
Amortised during the year	6	**(8,637)**	(3,619)
Exchange realignment		**810**	434
At 31 December		**209,747**	33,092

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 subsidiary *HK$'000*	Total *HK$'000*
At 1 January 2012	37,467	211,692	–	3,742	5,617	258,518
Deferred tax charged to the statement of 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 and 1 January 2013	**43,108**	**211,692**	**3,959**	**3,742**	**5,617**	**268,118**
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	**1,789**	**–**		**–**	**11,099**	**12,888**
Deferred tax charged to other comprehensive income during the year	**–**	**(69,745)**	**–**	**–**	**–**	**(69,745)**
Acquisition of subsidiaries *(note 37)*	**–**	**–**	**17,457**	**–**	**–**	**17,457**
Exchange realignment	**1,586**	**–**	**–**	**–**	**–**	**1,586**
At 31 December 2013	**46,483**	**141,947**	**21,416**	**3,742**	**16,716**	**230,304**

33. DEFERRED TAX *(Continued)*

Deferred tax assets

	Trade receivables provision *HK$'000*	Inventories provision *HK$'000*	Government subsidy *HK$'000*	Total *HK$'000*
At 1 January 2012	3,072	28,007	—	31,079
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	23,639	33,116	3,279	60,034
At 31 December 2012 and 1 January 2013	**26,711**	**61,123**	**3,279**	**91,113**
Impairment of deferred tax assets *(note 10)*	**(3,803)**	**(47,825)**	**—**	**(51,628)**
Deferred tax assets written off *(note 10)*	**(10,122)**	**(6,516)**	**—**	**(16,638)**
Exchange realignment	**676**	**1,547**	**83**	**2,306**
At 31 December 2013	**13,462**	**8,329**	**3,362**	**25,153**

The Group has accumulated tax losses arising in Hong Kong of approximately HK$32,776,000 (2012: HK$50,093,995) that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. The Group has accumulated tax losses arising in the PRC subsidiaries of approximately HK$6,360,079,000 (2012: HK$561,642,000) which are available for offsetting against future taxable profits of these subsidiaries 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 5%. 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 2013, deferred tax of HK$16,716,000 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.

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

34. SHARE CAPITAL

Shares

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

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

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

During the year ended 31 December 2012, the subscription rights attaching to 1,500,000 shares options were exercised at a subscription price of HK$1.24 per share (note 35), resulting in the issue of 1,500,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$1,860,000. An amount of HK$525,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options. There was no share option exercised during the year ended 31 December 2013.

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:

	2013		2012	
	Weighted average exercise price per share *HK$*	**Number of options** *'000*	Weighted average exercise price per share *HK$*	Number of options *'000*
At 1 January	**1.24**	**4,600**	1.24	7,600
Forfeited during the year	**1.24**	**(1,500)**	1.24	(1,500)
Exercised during the year	**–**	**–**	1.24	(1,500)
At 31 December	**1.24**	**3,100**	1.24	4,600

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

2013 Exercise period	**Grant date**	**The closing price immediately preceding the date of grant** *HK$*	**Exercise price** *HK$*	**Number of options** *'000*
21-1-2011 to 20-1-2016	**21-1-2011**	**1.24**	**1.24**	**3,100**

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

35. SHARE OPTION SCHEMES *(Continued)*

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

There were no additional share options granted during the year ended 31 December 2013 and 2012. The fair value of the share options granted during the year ended 31 December 2011 was HK$0.35 each.

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 3,100,000 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 3,100,000 additional ordinary shares of the Company, giving rise to additional share capital of HK$310,000 and share premium of HK$3,534,000 (before issue expenses).

35. SHARE OPTION SCHEMES *(Continued)*

(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.

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.

35. SHARE OPTION SCHEMES *(Continued)*

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

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

	2013 Weighted average exercise price per share *HK$'000*	**2013** Number of options *HK$'000*	2012 Weighted average exercise price per share *HK$'000*	2012 Number of options *HK$'000*
At 1 January	**1.67**	**31,400**	1.67	31,400
Forfeited during the year	**1.67**	**(6,000)**	–	–
At 31 December	**1.67**	**25,400**	1.67	31,400

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

2013 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**	**25,400**

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

* 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.

There were no additional share options granted during the year ended 31 December 2013 and 2012. The fair value of the share options granted during the year ended 31 December 2011 was HK$0.59 each.

35. SHARE OPTION SCHEMES *(Continued)*

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

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 25,400,000 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 25,400,000 additional ordinary shares of GSH, giving rise to additional share capital of HK$2,540,000 and share premium of HK$39,878,000 (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 48 to 49 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 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.

36. RESERVES *(Continued)*

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
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 1 January 2013		**2,719,588**	**1,612**	**609,650**	**3,330,850**
Loss for the year	11	**—**	**—**	**(116,160)**	**(116,160)**
Equity-settled share option arrangement	35	**—**	**(525)**	**525**	**—**
At 31 December 2013		**2,719,588**	**1,087**	**494,015**	**3,214,690**

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

Harbin Dacheng Bio Technology Co., Ltd ("Harbin Dacheng")

On 6 September 2013, the Group entered into a sale and purchase agreement with Shenzhen Liangyun Investment Co., Ltd., which is an investment holding company ("Shenzhen Liangyun") for the acquisition of 60% of the equity interest of Harbin Dacheng, a former associated company of the Company which is principally engaged in manufacture and sale of botanical straw based sweetener products and corn refinery. Immediately before completion, the Group held 40% of the equity interest of Harbin Dacheng and Shenzhen Liangyun held 60% of the equity interest of Harbin Dacheng. Upon completion, Harbin Dacheng became an indirect wholly-owned subsidiary of the Company. The purchase consideration for the acquisition was RMB101,997,200 (equivalent to HK$127,497,000), which had been fully settled by the Group in cash and bills receivable in September 2013.

This is regarded as a business combination achieved in stages. The Group accordingly remeasured its previously held equity interest in Harbin Dacheng at the acquisition date fair value and recognise the resulting loss of HK$44,547,000 in the consolidated statement of profit or loss. The exchange differences of HK$1,489,000 recognised in the prior years' other comprehensive income have also been reclassified to the Group's profit or loss, as would be required if the Group had directly disposed of the previously held equity interest.

37. BUSINESS COMBINATION *(Continued)*

Harbin Dacheng Bio Technology Co., Ltd ("Harbin Dacheng") *(Continued)*

The fair values of the identifiable assets and liabilities of Harbin Dacheng as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Property, plant and equipment		658,420
Prepaid land lease payments	*16*	213,118
Deposits paid for acquisition of items of property, plant and equipment and prepaid land lease payments		37,532
Inventories		290,105
Trade receivables		7,232
Prepayments, deposits and other receivables		13,114
Cash and cash equivalents		19,342
Interest-bearing bank borrowing		(544,304)
Trade payables		(18,255)
Other payables and accruals		(232,726)
Due to the non-controlling shareholder		(137,975)
Deferred income	*32*	(145,933)
Deferred tax liabilities	*33*	(17,457)
Total identifiable net assets at fair value		142,213
Less: a gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	*5*	(1,215)
		140,998
Satisfied by:		
Cash		127,497
Fair value of investment in the associate held before the acquisition		
— share of net assets		13,501
		140,998

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$7,232,000 and HK$13,114,000 respectively. The gross contractual amounts of trade receivables and other receivables were HK$7,232,000 and HK$13,114,000.

The Group incurred transaction costs of HK$677,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

37. BUSINESS COMBINATION *(Continued)*

Harbin Dacheng Bio Technology Co., Ltd ("Harbin Dacheng") *(Continued)*

An analysis of the cash flows in respect of the acquisition of the remaining interest in the associated company is as follows:

	HK$'000
Cash consideration	(127,497)
Cash and bank balances acquired	19,342
Net outflow of cash and cash equivalents included in cash flows from investing activities	(108,155)
Transaction costs of the acquisition included in cash flows from operating activities	(677)
	(108,832)

Since the acquisition, Harbin Dacheng contributed HK$77,405,000 to the Group's turnover and caused a loss of HK$58,504,000 to the consolidated loss for the year ended 31 December 2013.

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$9,826,707,000 and HK$6,312,021,000 respectively.

Global Sweeteners HFCS (Holdings) Limited and Shanghai Da Yi Food Co., Ltd.

On 30 March 2012, a non-wholly-owned subsidiary of the Company entered into a sale 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) was HK$26,661,858 while consideration for (ii) was 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 joint ventures 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 interests 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 profit or loss. 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 interests.

37. BUSINESS COMBINATION *(Continued)*

Global Sweeteners HFCS (Holdings) Limited and Shanghai Da Yi Food Co., Ltd. *(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
Prepayments, 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 profit or loss	*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 joint ventures held before the acquisition		28,417
Loan to a joint venture*		40,000
		95,079

* Loan to a joint venture represented a quasi-equity loan obtained by the Group since the incorporation of the joint venture.

The fair value of other receivables as at the date of acquisition amounted to HK$1,794,000, and the gross contractual amount of other receivables was HK$1,794,000.

37. BUSINESS COMBINATION *(Continued)*

Global Sweeteners HFCS (Holdings) Limited and Shanghai Da Yi Food Co., Ltd. *(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 profit or loss.

An analysis of the cash flows in respect of the acquisition of the remaining interests in the joint ventures 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 caused a 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 ended 31 December 2012 would have been HK$11,908,082,000 and HK$685,492,000 respectively.

38. CONTINGENT LIABILITIES

Group

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

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

Pursuant to the writs of summons received by the Relevant Group Members on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands (the "Court"), the Plaintiffs alleged that the Relevant Group Members have infringed EP '318 and requested the Court to rule that the Relevant Group Members have committed infringement and to make orders against the Relevant Group Members for, among others things, (i) forbidding the Relevant Group Members to commit infringement, or in any case to be involved in and/or benefit from infringing activities with regard to the Dutch part of the Relevant Patent; (ii) forbidding the Relevant Group Members to be involved in and/or benefit from the commercial trade of L-lysine on the Dutch market for a period of one year; (iii) providing to the counsel of the Plaintiffs an overview of the turnovers and net profits realized with the infringing L-lysine products; (iv) requesting all buyers of the Relevant Group Members with registered offices in the Netherlands to return the infringing L-lysine products; (v) placing a message on the website of the Company regarding the infringement; (vi) surrendering and destroying the stored infringing L-lysine products in the Netherlands; (vii) paying penalty of EUR100,000 per day for non-compliance of any of the above orders; (viii) paying for the cost of the legal proceedings; and (ix) paying either the net profit enjoyed with the infringement and interest accrued thereon as the Plaintiffs may claim, or the net profit enjoyed by the Relevant Group Members or the damage, costs of which to be assessed by the Court.

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

Alleged infringement of EP 0.796.912 (entitled "novel lysine decarboxylase gene and process for producing L-lysine") ("EP '912")

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

The directors have been advised by the Group's legal counsel that the Group has ground to defend the claims in relation to EP '318 and EP '912. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above and elsewhere in the financial statements, the Group did not have other significant contingent liabilities at the end of the reporting period.

Company

At 31 December 2013, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$6,981,023,000 (2012: HK$6,869,671,000).

39. COMMITMENTS

At 31 December 2013, the Group had capital commitments as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**161,626**	610,117
Plant and machinery	**76,258**	466,140
	237,884	1,076,257

The Company did not have any other significant commitments as at 31 December 2013.

40. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
Sale of equipment to an associate	*(a)*	**–**	4,490
Sale of electricity and water to an associate	*(a)*	**–**	1,756
Purchase of corn refinery products from a former associate	*(b)*	**72,368**	21,992

Notes:

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

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

(ii) Other transactions with related parties

The Group's subsidiaries have guaranteed certain bank loans of HK$253,164,557 (2012: HK$246,914,000) made to Harbin Dacheng, a former associate of the Group as at the end of the reporting period.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Balances with related parties

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

	2013 **HK$'000**	2012 HK$'000
Due from associates	**31,110**	134,984
Total	**31,110**	134,984

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

(iv) Compensation of key management personnel of the Group

	2013 **HK$'000**	2012 HK$'000
Short term employee benefits	**7,200**	11,460
Post-employment benefits	**30**	29
Total compensation paid to key management Personnel	**7,230**	11,489

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:

2013

Financial assets	**Group** **Financial 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	**—**	**1,419,257**	**1,419,257**
Financial assets included in prepayments, deposits and other receivables *(note 24)*	**—**	**420,526**	**420,526**
Due from associates	**—**	**31,110**	**31,110**
Equity investments at fair value through profit or loss	**93,581**	**—**	**93,581**
Derivative financial instruments	**19,021**	**—**	**19,021**
Cash and cash equivalents	**—**	**1,309,997**	**1,309,997**
Pledged of deposits	**—**	**133,996**	**133,996**
Total	**112,602**	**3,314,886**	**3,427,488**

2012

Financial assets	Group Financial 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	—	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

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013

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	**—**	**2,225,258**	**2,225,258**
Financial liabilities included in other payables and accruals	**—**	**691,742**	**691,742**
Interest-bearing bank and other borrowings	**—**	**9,752,782**	**9,752,782**
Bonds	**44,483**	**—**	**44,483**
Total	**44,483**	**12,669,782**	**12,714,265**

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
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)*

2013

Financial assets	**Company** **Financial assets at fair value through profit or loss designated as such upon initial recognition** ***HK$'000***	**Loans and receivables** ***HK$'000***	**Total** ***HK$'000***
Due from subsidiaries	**—**	**2,930,090**	**2,930,090**
Other receivables	**—**	**359**	**359**
Derivative financial instruments	**19,021**	**—**	**19,021**
Cash and cash equivalents	**—**	**133,259**	**133,259**
Total	**19,021**	**3,063,708**	**3,082,729**

2012

Financial assets	Company Loans and receivables *HK$'000*
Due from subsidiaries	2,987,169
Cash and cash equivalents	170,834
Total	3,158,003

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013

	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	**—**	**9,870**	**9,870**
Financial guarantee contracts	**—**	**706,407**	**706,407**
Bonds	**44,483**	**—**	**44,483**
Total	**44,483**	**716,277**	**760,760**

2012

	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	—	8,808	8,808
Financial guarantee contracts	—	439,783	439,783
Interest-bearing bank borrowings	—	77,500	77,500
Bonds	44,076	—	44,076
Derivative financial instruments	8,353	—	8,353
Total	52,429	526,091	578,520

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Derivative financial instruments	**19,021**	—	**19,021**	—
Equity investment at fair value through profit or loss	**93,581**	34,079	**93,581**	34,079
	112,602	34,079	**112,602**	34,079

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Interest-bearing bank and other borrowings	**9,752,782**	8,166,579	**9,752,782**	8,166,579
Bonds	**44,483**	44,076	**44,483**	44,076
Put option	**—**	868,795	**—**	868,795
Derivative financial instruments	**—**	8,353	**—**	8,353
	9,797,265	9,087,803	**9,797,265**	9,087,803

Company

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Financial guarantee contracts	**706,407**	439,783	**706,407**	439,783
Interest-bearing bank borrowings	**—**	77,500	**—**	77,500
Bonds	**44,483**	44,076	**44,483**	44,076
Derivative financial instruments	**—**	8,353	**—**	8,353
	750,890	569,712	**750,890**	569,712

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and cash equivalents, the current 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, amounts due from/to subsidiaries and amounts due from associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief financial director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial director and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 interest-bearing bank and other borrowings, bonds and a put option have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

Derivative financial instruments, including currency swap contact, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amount of currency swap contract is the same as its fair values.

The fair value of equity investments at fair value through profit or loss has been calculated based on quoted market prices.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	**Significant observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*	**Total** *HK$'000*
Derivative financial instruments	**—**	**19,021**	**—**	**19,021**
Equity investments at fair value through profit or loss	**93,581**	**—**	**—**	**93,581**
	93,581	**19,021**	**—**	**112,602**

Group

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Equity investments at fair value through profit or loss	34,079	—	—	34,079

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Assets measured at fair values: *(Continued)*

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Derivative financial instruments	—	19,021	—	19,021

Liabilities measured at fair values:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Bonds	—	44,483	—	44,483

Group

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Bonds	—	44,076	—	44,076
Put option	—	868,795	—	868,795
Derivative financial instruments	—	8,353	—	8,353
	—	921,224	—	921,224

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Liabilities measured at fair values: *(Continued)*

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Bonds	—	44,483	—	44,483
Financial guarantee contracts	—	706,407	—	706,407
	—	750,890	—	750,890

Company

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Bonds	—	44,076	—	44,076
Financial guarantee contracts	—	439,783	—	439,783
Derivative financial instruments	—	8,353	—	8,353
	—	492,212	—	492,212

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Interest-bearing bank and other borrowings	**—**	**9,752,782**	**—**	**9,752,782**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Interest-bearing bank and other borrowings	—	8,166,579	—	8,166,579

Company

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Interest-bearing bank and other borrowings	—	77,500	—	77,500

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 joint ventures 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, 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, bonds and derivative financial instruments.

The Group also enters into derivative transactions, including a foreign currency swap. 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.

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*
2013					
Hong Kong dollar	**1**	**(68,515)**	**(54,164)**	**1**	**(371)**
Hong Kong dollar	**(1)**	**68,515**	**54,164**	**(1)**	**371**
2012					
Hong Kong dollar	1	(63,365)	(49,918)	1	(775)
Hong Kong dollar	(1)	63,365	49,918	(1)	775

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

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 joint ventures 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.

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.

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

Liquidity risk *(Continued)*

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

	2013					
	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	2,225,258	—	—	—	—	2,225,258
Interest-bearing bank and other borrowings	132,162	1,098,788	3,793,355	3,432,026	2,629,579	11,085,910
Other payables and accruals	593,088	98,654	—	—	—	691,742
Bonds	—	—	44,483	—	—	44,483
	2,950,508	1,197,442	3,837,838	3,432,026	2,629,579	14,047,393

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
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)*

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

	2013					
	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*
Financial guarantee contracts	**34,188**	**531,646**	**1,473,418**	**2,493,671**	**2,448,100**	**6,981,023**
Other payables and accruals	**9,870**	**—**	**—**	**—**	**—**	**9,870**
Bonds	**—**	**—**	**44,483**	**—**	**—**	**44,483**
	44,058	**531,646**	**1,517,901**	**2,493,671**	**2,448,100**	**7,035,376**

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
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)*

Note:

Included in interest-bearing bank and other borrowings of the Group are term loans in the amount of HK$28,438,000 (31 December 2012: HK$418,601,000). 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 2,800,000 tons of corn kernels amounting to approximately HK$6,963 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 2,576 tons, and the directors have estimated the amount to be approximately HK$7 million (2012: HK$4,400 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 2013 and 2012.

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

	2013 ***HK$'000***	2012 *HK$'000*
Interest-bearing bank and other borrowings	**9,752,782**	8,166,579
Less: Cash and cash equivalents	**(1,309,997)**	(1,266,470)
Net debt	**8,442,785**	6,900,109
Capital	**4,252,638**	9,670,169
Gearing ratio	**199%**	71%

44. LITIGATIONS

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

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

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

Apart from the above, the Relevant Group Members are also involved in other matters of litigations in various countries. Some of the litigations are pending for the outcome of the judgment. Management has estimated that these pending litigations would not give rise to significant financial liabilities to the Group.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2014.

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				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**9,686,643**	11,908,082	14,299,490	9,149,077	7,701,787
Cost of sales	**(10,587,530)**	(10,376,091)	(10,944,789)	(7,589,713)	(6,646,732)
Gross profit/(loss)	**(900,887)**	1,531,991	3,354,701	1,559,364	1,055,055
Other income and gains	**588,049**	107,237	132,685	138,929	86,536
Gain on loss of control of a subsidiary	**–**	–	14,969	–	–
Selling and distribution costs	**(762,459)**	(770,380)	(719,618)	(550,726)	(434,978)
Administrative expenses	**(717,477)**	(458,799)	(438,090)	(268,365)	(264,581)
Other expenses	**(3,520,221)**	(367,371)	(103,600)	(21,293)	(74,241)
Finance costs	**(673,399)**	(585,295)	(521,920)	(378,542)	(307,165)
Share of profits/(losses) of joint ventures	**–**	(1,324)	(2,598)	1,196	3,312
Share of losses of associates	**(27,899)**	(9,346)	(742)	–	–
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(6,014,293)**	(553,287)	1,715,787	480,563	63,938
Income tax expense	**(222,584)**	(11,062)	(335,969)	(110,296)	(51,349)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(6,236,877)**	(564,349)	1,379,818	370,267	12,589
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**(5,397)**	(119,819)	(1,846)	3,393	1,366
PROFIT/(LOSS) FOR THE YEAR	**(6,242,274)**	(684,168)	1,377,972	373,660	13,955
Profit/(loss) attributable to:					
Owners of the parent	**(6,081,097)**	(554,508)	1,309,798	331,726	(14,978)
Non-controlling interests	**(161,177)**	(129,660)	68,174	41,934	28,933
	(6,242,274)	(684,168)	1,377,972	373,660	13,955
TOTAL ASSETS	**18,784,740**	22,934,334	23,750,728	19,835,098	17,010,097
TOTAL LIABILITIES	**(13,689,832)**	(11,696,158)	(11,888,188)	(10,162,223)	(8,971,434)
NON-CONTROLLING INTERESTS	**(842,270)**	(1,568,007)	(1,679,417)	(974,751)	(556,785)
	4,252,638	9,670,169	10,183,123	8,698,124	7,481,878