Global Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809

ANNUAL REPORT 2014

* 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

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

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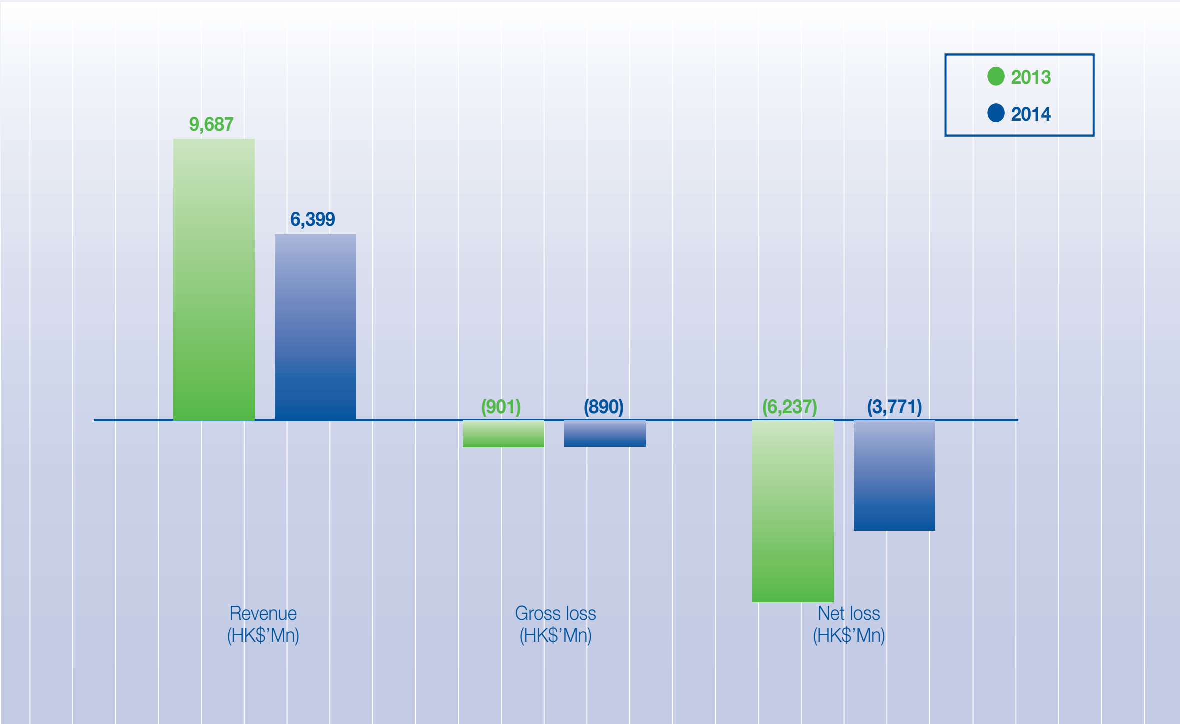
Financial Highlights



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

Corporate Information

BOARD OF DIRECTORS

Liu Xiaoming, *Chairman*
Xu Ziyi, *Executive Director*
Li Weigang, *Executive Director*
Wang Yongan, *Executive Director*
Ji Jianping, *Executive Director*
Chan Chi Wai, Benny,
Independent Non-executive Director
Ng Kwok Pong,
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 to attend and vote at the annual general meeting:
29 May 2015 to 1 June 2015 (both dates inclusive)
Annual general meeting:
1 June 2015

Message to Shareholders

Dear Shareholders,

The downward cycle of lysine market continued into the second half of 2014. Gross profit margins of lysine manufacturers were squeezed by slash product average selling price ("ASP") and sluggish demand. Volatility in the animal feed sector had added further burden on both lysine ASP as well as its consumption.

Mainland China is currently the largest consumer for lysine and accounted for about one third of the world market. During 2014, Mainland China was suffering from avian flu and sliding hog price leading to substantial reduction in animal stock. As the majority of lysine produced in Mainland China was applied as additive in animal feed, the significant drawback in poultry and livestock farming had resulted in a plunge in lysine consumption. Sales and gross profit margin of the Group's lysine business had, thus, been severely affected.

Price of corn kernel, which constituted a significant component of the Group's cost of sales, stayed at a high level, irrespective to market condition. In addition, soft corn-refined product price had forced many upstream corn refineries to suspend production, or even out of business.

In reacting to slack market demand and trimmed lysine ASP, the Group suspended its lysine production facility with an annual production capacity of 200,000 metric tonnes in Lu Yuan District, Changchun since April 2014. The Group's scaled down activities enabled it to minimise capital exposure during the year. The halt in the Group's lysine production had also resulted in declined lysine inventory, thus, in a way, helping to stabilize lysine ASP.

Taking advantage of the market slump, the Group commenced the relocation of its amino acid operation in Lu Yuan District, Changchun to Dehui in the same city.

The Group had discontinued the manufacture of polyol chemical, as the lacklustre market did not justify the heavy capital commitment in these operations. The suspension had inevitably led to further provision for the facility and raw material of the operations. This was one of the factors for the Group's disappointing results for the year, although such accounting treatment did not have any impact on the Group's cash flow.

Despite the challenges encountered by the Group, it continued to maintain support from its bankers. During the year, the Group repaid a total of HK$1.1 billion bank and other borrowings and successfully renewed certain of its loan facilities.

The Group's corn sweetener business undertaken by its listed subsidiary continued to suffer loss during the year, due to low sugar price and high corn kernel costs.

Message to Shareholders

OUTLOOK

Due to continuous excess capacities of lysine in the market, it is unlikely to see any meaningful product price recovery. To cope with intensified market consolidation and to weather the challenges brought along by punishing market environment, the Group has decided to thoroughly review its operating strategy and to realign its business portfolio. After the completion of the relocation of its original plant in Lu Yuan District, Changchun, the Group will consolidate all of its amino acid production in Dehui. It will be focusing on manufacture of a range of lysine and other value-added amino acid products, capitalising on the production base's advanced and agile facilities. The Group's production facilities for other products will be concentrated in Xinglongshan. Such arrangement serves to minimise administration and logistic costs, as well as to enhance management and operation efficiency.

The Group's established leading position in the lysine market and profound expertise in bio-chemical processing have make it a unique choice of partnership with formidable players. The Group is seeking to team up with major global, as well as local conglomerates for either strategic or equity collaboration.

The Group is under negotiation with Changchun Land Reserve Centre for the resumption of pieces of land and facilities erected thereon, on the east side of Xihuancheng Road, Luyuan District, Changchun. Should an agreement on the resumption be reached, the Group would be entitled to further cash income.

Over the past few years, much of the energy of the Group's senior management was placed on battling severe market competition and strengthening the Group's balance sheet. While we concentrate our effort in maintaining the Group's competitiveness and financial viability, our obligation in corporate compliance had, unfortunately, been ignored. As you may notice from a recent announcement, the Group had failed to comply with relevant listing rules to notify our shareholders and seek their approval on a major transaction.

The oversight in compliance is inexcusable. Remedial action has been recommended to avoid recurrence of such incidents.

To strengthen the Group's management, Mr. Ji Jianping has been appointed as the Group's chief executive officer. Mr. Ji's abundant experience in the corn refinery industry is expected to bring to the Group a new perspective in its strategic development.

As the chairman of the Group, I am most grateful for the dedication of our staff from all levels, as well as the support from local government, our bankers, business associates and shareholders, during this difficult period of time. We do aware that there are still a lot to be done to steer our group through the stormy waters, and the aforementioned parties' continued support would be indispensable for us to challenge the odds.

Liu Xiaoming
Chairman
31 March 2015

Management Discussion and Analysis

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

BUSINESS ENVIRONMENT

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

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

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

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

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

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

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

Impairment of non-current assets

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

Financial guarantee contracts

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

In order to avoid recurrence of the incidents as set out therein and to ensure proper compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in future, the following remedial measures have been or will be taken by the Group:

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

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

(3) the Company will appoint a firm of independent professionals to identify the weaknesses in its internal procedural control system that resulted in the various guarantees ("Supplier Guarantees") executed between November 2010 to March 2015 by the Group to長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement, Ltd.) ("Dajincang") not having been brought to the attention of the Company and recommend on any corrective or enhancement procedures required;

MANAGEMENT'S RESPONSE TO THE INDEPENDENT AUDITOR'S REPORT AND REMEDIAL MEASURES TO BE TAKEN *(Continued)*

Financial guarantee contracts *(Continued)*

(4) the management will also appoint external professional valuers to conduct an independent valuation of the fair value of the financial guarantees ("Subsidiaries Guarantees") granted to banks in connection with facilities granted to the Company's subsidiaries for the purpose of preparing the Company's 2015 annual report;

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

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

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

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

Inventory losses

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

In respect of the impairment loss on and sales of substandard and inferior corn kernels and scrapped coal, the management will enhance control procedures to identify, quantify and dispose of substandard and inferior corn kernels and scrapped coals on a periodic basis. In respect of the abnormal wastage of corn kernels during production, the management is in the process of finalizing additional control procedures requiring written records to be kept.

Inventories

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

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

Prepayment and other receivables

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

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

MANAGEMENT'S RESPONSE TO THE INDEPENDENT AUDITOR'S REPORT AND REMEDIAL MEASURES TO BE TAKEN *(Continued)*

Prepayment and other receivables *(Continued)*

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

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

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

Recoverability

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

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

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

Accounts payable

Low Response Rate of Suppliers

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

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

MANAGEMENT'S RESPONSE TO THE INDEPENDENT AUDITOR'S REPORT AND REMEDIAL MEASURES TO BE TAKEN *(Continued)*

Impairment of non-current assets

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

Litigation

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

Impairment of investments in subsidiaries and amounts due from subsidiaries

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

The management will also conduct impairment assessment of investments in subsidiaries and amounts due from subsidiaries upon the completion of the assessment on the fair value of the Supplier Guarantees and Subsidiaries Guarantees.

Fundamental uncertainties relating to going concern

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

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

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

FINANCIAL PERFORMANCE

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

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

Group Financial Performance

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

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

Amino acids segment

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

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

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

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

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

FINANCIAL PERFORMANCE *(Continued)*

Amino acids segment *(Continued)*

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

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

Polyol chemicals segment

(Revenue: HK$537 million (2013: HK$996 million))
(Gross loss: HK$189 million (2013: HK$634 million))

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

The corn refinery in polyol chemicals segment has no direct external sales of corn starch, but directly processes glucose as an intermediary for the polyol chemicals segment as well as the amino acids segment. During the year, the sales volume of the glucose to amino acids segment decreased by approximately 33% to approximately 100,010 MT (2013: 149,235 MT) compared with last year. The Revenue decreased by approximately 39% to approximately HK$220 million (2013: HK$360 million) and gross profit increased by approximately 52% to approximately HK$3 million (2013: Gross profit HK$2 million).

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

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

Ammonia is a product launched by the Group since 2013. The revenue and gross loss of ammonia are approximately HK$108 million (2013: HK$270 million) and HK$47 million (2013: HK$86 million) respectively. Most of the ammonia was supplied to the amino acids segment for production use. Such production has been suspended since April 2014.

FINANCIAL PERFORMANCE *(Continued)*

Corn sweeteners segment

(Revenue: HK$2,920 million (2013: HK$4,200 million))
(Gross loss: HK$190 million (2013: Gross profit: HK$138 million))

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

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

Consolidated results by product series

The consolidated revenue of the Group's products sold to external customers decreased substantially by approximately 34% and gross loss slightly decreased by approximately 1% respectively during the Year, which were mainly attributable to the drop in average selling prices and market demand. The consolidated figures in sales volume, average selling price, average cost of goods sold, revenue and gross profit/(loss) for the Year and the corresponding period last year as categorized by products are summarised as follows:

For the year ended 31 December 2014

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

FINANCIAL PERFORMANCE *(Continued)*

Consolidated results by product series *(Continued)*

For the year ended 31 December 2013

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

Export Sales

During the year, the Group generated revenue of approximately HK$1,213 million (2013: HK$2,527 million) from export sales, which accounted for approximately 19% (2013: 26%) of the Group's total revenue, representing an decrease of approximately HK$1,314 million or approximately 52% as compared with last year. The drop was due to the slowdown of the global market.

Operating expenses, finance costs and income tax expense

Despite the decrease of approximately 23% in total sales volume of the Group, the selling and distribution costs amounted to approximately HK$551 million (2013: HK$762 million), representing a decrease of approximately 28% as compared with last year. However, the ratio of such operating expenses over the Group's revenue surged up to approximately 9% (2013: 8%) as the revenue of the Group decreased by approximately 34% as compared with last year.

The administrative expenses of approximately HK$836 million (2013: HK$717 million), representing an increase of approximately 17%. Nevertheless, the ratio of such administrative expenses to revenue increase to approximately 13% (2013: 7%), due to the temporary suspension of polyol chemicals production since April 2014 in view of unfavourable market conditions, and the fixed overhead of polyol chemicals during that year amounting approximately HK$150 million (2013: HK$175 million) was re-allocated to administrative expenses.

FINANCIAL PERFORMANCE *(Continued)*

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

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

The other operating expenses for the Year amounted to approximately HK$1,233 million (2013: HK$3,520 million) mainly comprising of legal costs and compensation expenses of approximately HK$16 million (2013: HK$10 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$17 million (2013: HK$14 million) due to the development of new series of lysine products, the provision for doubtful debts of approximately HK$266 million (2013: Provision of doubtful debts written back: HK$77 million) for the long overdue debtors, and the impairment of long-term assets of approximately HK$262 million (2013: HK$3.4 billion) in respect of certain production facilities of GSH. During the current year, Baocheng, a member of the Group, scraped coal with the cost of approximately HK$25 million, and recoginsed loss of HK$30 million (2013: Nil). Besides, Changchun GBT Bio-Chemical Co., Ltd., a member of the Group, purchased an approximate of 101 MT of catalysts for the production of polyol chemicals had remained unused and had expired. A provision was made for impairment of approximately HK$77 million as of 31 December 2014 (2013: Nil) and the value-added tax paid for such catalysts in the amount of approximately HK$13 million during the year ended 31 December 2014 (2013: Nil).

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

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

Loss shared by non-controlling shareholders

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

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

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

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

Structure of interest bearing borrowings

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

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 69% (2013: 51%), approximately 27% (2013: 43%) and approximately 4% (2013: 6%), respectively. The changes were mainly due to the decrease of approximately RMB1.9 billion loans repayable in the second to the fifth years. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days improved at approximately 33 days (2013: 53 days). Meanwhile, the trade creditor's turnover days increased to approximately 100 days (2013: 77 days) because a tightened payment policy has been put in place by the Group during the Year. On the other hand, as certain provisions were made for the inventories, the inventory turnover days improved to 42 days (2013: 115 days), simultaneously, the Group's stock level was decreased to approximately HK$844 million (2013: HK$3,342 million) during the Year.

The decrease of inventories of approximately HK$2,498 million when compared to the position as at 31 December 2014, the current ratio and the quick ratio worsen to approximately 0.4 (2013: 1.0) and 0.4 (2013: 0.6) respectively. Moreover, due to changes in classification from long term to short term borrowings during the Year, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent plus pledged deposits) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 631% (2013: 164%) and to approximately 966% (2013: 196%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity worsen to approximately 63% (2013: 52%) and 691% (2013: 192%) respectively. In view of the continual support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchange risk of the Bonds. Under the SWAP, the Group is liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 in return for 7% interest on the principal of RMB450 million semi-annually to 16 May 2014 and exchange the aforesaid US$69,875,776.40 into RMB450 million on 16 May 2014. The SWAP was early settled on 2 April 2014. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Year and the Group did not have any material hedging instrument outstanding as at 31 December 2014.

LITIGATIONS

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

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

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

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

LITIGATIONS *(Continued)*

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

On 20 March 2014, a judgment has been served on the Relevant Group Members regarding the above alleged new infringement. It was ruled by the District Court in summary proceedings that the Relevant Group Members have committed infringement of EP '710 and the following orders were made: (i) the penalties for violation of the injunctions contained in the earlier judgment of August 2007 ("Earlier Judgment") concerning EP '710 and EP 0.733.712 (entitled "Process for Producing Substance") ("**EP '712**") shall be increased to EUR1,000 per kilogram of L-lysine that is produced, used, commercialized, or offered for either of those, imported or kept in stock in the Netherlands, or EUR100,000 for each time or every day or part thereof; (ii) the Relevant Group Members shall provide to the counsel of the Plaintiffs within two months after service of the judgment a written specification, accompanied by copies of all relevant written documents, in particular, quotations, purchase and sales invoiced and packaging slips concerning the quantity of infringing L-lysine produced, used, commercialized or sold, supplied or offered or imported for either of those in the Netherlands, the turnover and net profit, as well as a list and details of all third parties involved in the Netherlands, in particular the customers of the infringing L-lysine in the Netherlands at the cost of the Relevant Group Members; (iii) the Relevant Group Members shall allow an independent auditor to examine the written specification set out in (ii) above, and shall grant access to and assist the independent auditor to verify the written specification at the cost of the Relevant Group Members; (iv) the Relevant Group Members shall within 14 days after service of the judgment request all of its buyers of the infringing L-lysine in the Netherlands in writing by using the wordings specified in the judgment to return the infringing L-lysine products within two weeks with an offer to compensate to the buyers the invoice price and transport costs; (v) the Relevant Group Members shall publish a statement on the Company's website with wordings specified in the judgment regarding the infringement within two business days after service of the judgment; (vi) the Relevant Group Members shall send a press release with wordings specified in the judgment to Feedinfo News Services and publish such press release on the website of Feedinfo News Services regarding the infringement within two days after service of the judgment; (vii) the Relevant Group Members shall publish an advertisement with wordings specified in the judgment in the next issue of the Professional Journal for the Grain Processing and Animal Feed Industry entitled "The Miller" regarding the infringement; (viii) the Relevant Group Members shall pay the Plaintiffs a penalty of EUR100,000 per day or part thereof if they fail to fully or properly comply with the orders set out in (i) to (vii) above; and (ix) the Relevant Group Members shall pay for the Plaintiffs' legal costs, which amounted to EUR70,000.

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

LITIGATIONS *(Continued)*

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

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

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

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

On 8 January 2014, a response was filed on behalf of the Relevant Group Members disputing the allegations of infringement and by way of counterclaim requesting invalidation of the invoked patent. The Plaintiffs filed a response to the aforementioned counterclaim on 5 March 2014 and an oral hearing took place on 13 June 2014. On 10 September 2014, the Group received judgment from the District Court of The Hague, the Netherlands which has rejected all the claims made by the Plaintiffs.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiff are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members which payment is immediately enforceable. Further, the Court has also allowed part of the counterclaim made by the Relevant Group Members. The Plaintiffs timely appealed the decision by means of a writ of summons dated 9 December 2014 and the Relevant Group Members filed its response and cross appeal on 24 February 2015. As at 31 March 2015, the infringement is still in the proceedings.

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

RESUMPTION OF LAND, BUILDINGS, MACHINERIES AND FIXTURES

Reference is made to the circular of the Company dated 7 May 2014 and the announcements of the Company dated 7 January 2014, 13 January 2014 and 27 August 2014 in relation to the resumption of land and buildings, machineries and fixtures erected thereon in Changchun, the PRC.

In response to the call of the local government to industrial companies to move their factories away from the central districts of the city which have developed rapidly, on 30 December 2013, the Group entered into three compensation agreements with the Changchun Land Reserve Centre（長春市土地儲備中心）(the "Land Reserve Centre") pursuant to which the Group agreed to the resumption of three pieces of land located on the west side of Xihuancheng Road, Changchun, the PRC. On the same date, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group agreed to the resumption of a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC. On 31 December 2013, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group has agreed to the resumption of the buildings and fixtures erected thereon.

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

The production facilities of the GBT Group and the GSH Group currently located on both the west and the east side of Xihuancheng Road, Changchun, the PRC have or will be relocated to Xinglongshan, Changchun, the PRC. As at the date of this 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 commenced construction of the production facilities and installation of new equipment in Xinglongshan in the third quarter of 2014 and commercial production at the new site in Xinglongshan shall commence by the first half of 2015.

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

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

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

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

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

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

OUTLOOK

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

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

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2014, the Group had approximately 5,900 full time employees in Hong Kong and the PRC. The Group recognizes the importance of human resources to its success, and recruited qualified and experienced personnel for increased production capability and development of new biochemical products. Remuneration of employees is maintained at competitive levels with discretionary bonuses payable on a merit basis whilst in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LIU Xiaoming aged 59, 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 45, is an executive Director appointed on 2 April 2012 and she is also the director of various subsidiaries of the Company. 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.

LI Weigang aged 56, 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.

WANG Yongan aged 44, 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 before his appointment as an executive Director.

JI Jianping aged 56, was appointed as an executive Director and chief executive officer on 12 March 2015. Mr. Ji graduated from Jilin University in 1982 and holds a bachelor degree in economics. During 1996 to 2012, Mr. Ji worked as a deputy general manager of Changchun Dacheng Industrial Group Co., Ltd., a wholly-owned subsidiary of the Company. He then worked as the deputy general manager of Jilin COFCO Biochemistry Co., Ltd., a wholly owned subsidiary of COFCO Limited from 2012 to 2014 prior to joining the Group as a general manger in October 2014. Mr. Ji also serves on various committees relating to the food processing, starch, rice and corn industries at national and provincial levels.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Chi Wai, Benny aged 44, was appointed as independent non-executive Director on 1 March 2015. Mr. Chan graduated from Queensland University of Technology with a Bachelor's degree in Business (Accountancy) and he is a member of CPA Australia. He is currently the company secretary of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd., a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8115). Mr. Chan has over 20 years' experience in auditing, accounting and financial management. Mr. Chan was also an independent non-executive director of Golden Shield Holdings (Industrial) Limited, a company whose shares are listed on the Stock Exchange (stock code: 2123) during June 2014 to January 2015.

NG Kwok Pong aged 42, was appointed as independent non-executive Director on 1 March 2015. Mr. Ng graduated from University of Greenwich with a Bachelor of Arts (Hons) in Accountancy and Finance. He is a member of the Hong Kong Institute of Certified Public Accountants and FCCA member of Association of Chartered Certified Accountants. Mr. Ng has over 15 years' experience in auditing and accounting, including working experience in listed companies in Hong Kong.

SENIOR MANAGEMENT

CHU Lalin aged 52, 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 46, 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 70, 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 43, 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 37, 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. During the year under review, the Company did not have any officer with the title "chief executive officer" and Mr. Liu Xiaoming took up the role of chairman and undertook the function as chief executive officer, as the Board believed that vesting the roles of both chairman and chief executive officer in the same person could ensure efficient decision making. However, to promote more effective decision making and better corporate governance, Mr. Ji Jianping has been appointed as an executive Director and chief executive officer of the Company on 12 March 2015, and Mr. Liu Xiaoming ceased to undertake the function as chief executive officer.

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

Following Mr. Li's resignation, the Company had only two independent non-executive Directors and the audit committee of the Company had only two members, which fell below the minimum number required Rules 3.10(1) and 3.21 of the Listing Rules. Remedial steps were taken by the management to address such non-compliance with the Listing Rules, being the subsequent appointment of an independent non-executive Director.

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 2014 are set out in the table below:

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

* resigned on 27 February 2015
** resigned on 28 February 2015
*** resigned on 5 February 2015

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 Composition

As of the date of this report, the Board comprises seven Directors, including five executive Directors and two 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 23 to 24 of this report.

Chairman and Chief Executive Officer

As of the date of this report, Mr. Liu Xiaoming is the chairman of the Company, and Mr. Ji Jianping is the chief executive officer of the Group.

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors

During the year under review, the independent non-executive Directors were Mr. Chan Man Hon, Eric, Mr. Lee Yuen Kwong and Mr. Li Defa, who resigned on 28 February 2015, 27 February 2015 and 5 February 2015 respectively. Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong are appointed as independent non-executive Directors on 1 March 2015 and 1 March 2015 respectively. 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 2014, the Company has arranged each of the Directors to attend a training seminar regarding the revised connected transaction of the Listing Rules provided by the legal advisers of the Company as to Hong Kong laws.

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.

BOARD OF DIRECTORS *(Continued)*

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:

	2014	2013
	HK$'000	*HK$'000*
Fees	**1,200**	1,200
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**7,620**	7.200
Performance related bonuses	**—**	—
Equity-settled share option expenses	**—**	—
Pension scheme contributions	**34**	30
	7,654	7,230
Total	**8,854**	8,430

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 2014, the executive Directors were not entitled to any bonus (2013: 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:

	2014	2013
	HK$'000	*HK$'000*
Chan Man Hon, Eric*	**480**	480
Lee Yuen Kwong**	**480**	480
Li Defa***	**240**	240
Total	**1,200**	1,200

* resigned on 28 February 2015
** resigned on 27 February 2015
*** resigned on 5 February 2015

There were no other emoluments payable to the independent non-executive Directors during the Year (2013: Nil).

DIRECTORS' REMUNERATION *(Continued)*

(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$'000*	Pension contributions *HK$'000*	Total remuneration *HK$'000*
2014					
Executive Directors:					
Liu Xiaoming	3,960	–	–	17	3,977
Xu Ziyi	1,440	–	–	17	1,457
Li Weigang	1,620	–	–	–	1,620
Wang Yongan	600	–	–	–	600
Total	7,620	–	–	34	7,654
2013					
Executive Directors:					
Liu Xiaoming	3,960	–	–	15	3,975
Wang Guifeng*	1,800	–	–	–	1,800
Xu Ziyi	1,440	–	–	15	1,455
Total	7,200	–	–	30	7,230

* resigned on 30 December 2013

(c) Senior Management

The remuneration of the senior management of the Group by band for the year ended 31 December 2014 is set out below:

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

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

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee"), a nomination committee (the "Nomination Committee") and a corporate governance committee (the "Corporate Governance Committee") with clearly defined written terms of reference adopted in compliance with the 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 two independent non-executive Directors namely Mr. Chan Chi Wai, Benny (the chairman of the committee) and Mr. Ng Kwok Pong.

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 three meetings.

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

Remuneration Committee

The members of the Remuneration Committee comprise two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Mr. Chan Chi Wai, Benny and an 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.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The members of the Nomination Committee comprise of an executive Director, Mr. Liu Xiaoming (the chairman of the Committee), and two independent non-executive Directors, namely Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong. 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 did not hold any meeting.

Corporate Governance Committee

The Corporate Governance Committee comprises two independent non-executive Directors, namely Mr. Chan Chi Wai, Benny (the chairman of the committee) and Mr. Ng Kwok Pong, 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 CG 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.

BOARD COMMITTEES *(Continued)*

Accountability and Audit

The Directors are responsible for overseeing the preparation of accounts of each financial year. In preparing the accounts for the year ended 31 December 2014, 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 a going concern basis. For the year ended 31 December 2014, the auditors of the Company were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The management are however, of the view that the Group will continue in business, for the reasons stated below:

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

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

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

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 2014, 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 2014, HK$8,030,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$3,188,000 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	133
Others	782
Total	915

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 2014.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2014.

31 March 2015

Report of the Directors

The Directors present their report and audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 163.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

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 164. 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 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 31 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.

SHARE OPTION SCHEME *(Continued)*

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

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

Share 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.

SHARE OPTION SCHEME *(Continued)*

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

Participants	Number of share options outstanding as at 1 January 2014 and as at 31 December 2014	Granted, cancelled or lapsed during the Year	Date of grant of share options	Exercise period of share options	Vesting period of share options	Price of Company's shares: Exercise price of share options *HK$*	Price of Company's shares: Closing price immediately before the grant date *HK$*
Employees	3,100,000	–	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24

As at the latest practicable date prior to the printing 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.

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

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.

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.

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

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

Participants	Number of share options outstanding as at 1 January 2014	Granted during the Year	Cancelled or lapsed during the Year	Exercised during the Year	Number of share options outstanding as at 31 December 2014	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
Kong Zhanpeng	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	–	–	–	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng*	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	3,400,000	–	(500,000)	–	2,900,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participant	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	25,400,000	–	(500,000)	–	24,900,000					

* Retired on 20 May 2014

As at the latest practicable date prior to the printing of this report, 24,900,000 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 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, 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$468,738,000. 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 2014 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 16% of the total sales for the year and sales to the largest customer included therein accounted for 2% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 54% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 39% 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 and as at the latest practicable date prior to the publication of this report were:

Executive directors:

Liu Xiaoming	
Xu Ziyi	
Li Weigang	
Wang Yongan	
Ji Jianping	*(appointed on 12 March 2015)*
Cheung Chak Fung	*(appointed on 23 April 2015)*

Independent non-executive directors:

Lee Yuen Kwong	*(resigned on 27 February 2015)*
Chan Man Hon, Eric	*(resigned on 28 February 2015)*
Li Defa	*(resigned on 5 February 2015)*
Chan Chi Wai, Benny	*(appointed on 1 March 2015)*
Ng Kwok Pong	*(appointed on 1 March 2015)*
Yeung Kit Lam	*(appointed on 23 April 2015)*

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 Liu Xiaoming, Ms. Xu Ziyi and Mr. Li Weigang will retire as Directors.

DIRECTORS *(Continued)*

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. Ji Jianping, Mr. Cheung Chak Fung, Mr. Chan Chi Wai, Benny, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam will end at the forthcoming annual general meeting.

All the above Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 23 to 24 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, 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. 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. Mr. Ji Jianping has entered into a service agreement with the Company for a term of three years commencing on 12 March 2015. 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.

The independent non-executive Directors, Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong have each entered into an appointment letter with the Company for a term of two years commencing on 1 March 2015.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year ended 31 December 2014.

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 2014.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions of the directors and chief executive of the Company in the shares ("Shares") underlying Shares and debentures 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 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**	**Interest of spouse**	**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*	5,576,400	–	70,000	5,646,000	0.17

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**	**Total**	**Approximate percentage of GSH's issued share capital**
Mr. Liu Xiaoming	*3*	6,000,000	6,000,000	0.39

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

Notes:

1. Among these interests, 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, 5,576,000 Shares are held by Ms. Xu Ziyi as beneficial owner, and 70,000 Shares are held by the personal representative of the late spouse of Ms. Xu.

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

Save as disclosed above, as at 31 December 2014, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, 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 in ordinary shares of the Company:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

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 is held by the personal representative of the late Mr. Xu Zhouwen, a former executive Director.

3. Among these interests, 18,256,000 Shares are held by Mr. Kong Zhanpeng, and 241,920,000 Shares 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, an executive director of GSH. Mr. Kong is the sole director of Hartington Profits Limited.

4. Among these interests, 12,449,920 Shares are held by Mr. Wang Tieguang, a former Director, and 241,920,000 Shares are held by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above, as at 31 December 2014, no person, other than the directors and chief executive 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 36 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 2014.

AUDITORS

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

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Reference is made to the announcement of the Company dated 31 March 2015, and the section headed "Management Response to the Independent Auditor's Report and Remedial Measures to be taken – Financial guarantee contracts" in the Management Discussion and Analysis of this report.

During November 2010 to March 2015, certain members of the Group entered into the Supplier Guarantees for the benefit of the Supplier in respect of certain bank borrowings that are discloseable under the Listing Rules. Details of the Supplier Guarantees are as follows:

Date of guarantee	**26/11/2010**	**15/12/2011**	**31/12/2012**	**5/3/2014**	**4/3/2015**
Name of bank	Bank A	Bank A	Bank A	Bank A	Bank A
Guarantors	Certain members of the Group	Certain members of the Group	Certain members of the Group	Certain members of the Group	Certain members of the Group
Guaranteed Amount	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 26/11/2010 to 26/11/2011 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 15/12/2011 to 8/12/2012 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 26/12/2012 to 13/12/2013 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 1/1/2014 to 16/12/2014 and up to a maximum guaranteed amount of RMB2.5 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 1/1/2015 to16/4/2015 and up to a maximum guaranteed amount of RMB2.5 billion.
Principal amount outstanding as of the date of this report	Nil	Nil	Nil	RMB1.96 billion	RMB530 million
Date of expiry of the guarantee	Two years from 26/11/2011, i.e. 26/11/2013	Two years from 8/12/2012, i.e. 8/12/2014	Two years from 13/12/2013, i.e. 13/12/2015	Two years from 16/12/2014, i.e. 16/12/2016	Two years from 16/4/2015, i.e. 16/4/2017

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES *(Continued)*

Dajincang is beneficially majority-owned by the labour union of the PRC employees of the Group (the "Labour Union"). The principal business of Dajincang is the purchase of corn kernels from local farmers in Changchun and other areas of Jilin province and their resale to end users in the north-east provinces of the PRC. Dajincang is separately managed from the Group.

From the date of the first entering into of the Supplier Guarantees to the date of this report, none of the Directors nor their respective close associates held any interest in the Dajincang (excluding interests held by any person who is or was a member of the Labour Union, because the interests of each of the more than 5,000 members of the Labour Union are identical and do not differ from member to member), and none of Dajincang nor its close associates held any interest in the Company. Two of the directors of Dajincang are also directors of certain PRC subsidiaries of the Company. They were appointed directors of Dajincang solely in their capacity as members of the Labour Union and their interests in the Labour Union do not differ from those of other members. Accordingly, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Dajincang and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Bank A and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Bank A is a stock exchange listed State majority-owned joint stock company principally engaged in the provision of banking services.

Based on inquiries made by the management of the Company, the first Supplier Guarantee was entered into in 2010 for the purposes of saving financing costs under a programme devised by the Company's PRC management.

As part of its function, Dajincang had to buy corn kernels from local farmers, store them and sell them to users or the local government as strategic reserves. Because the Group was a major customer, it had to utilise large cash resources and drawdown significant loan facilities to buy corn kernels from the Supplier regularly.

In response to requests by Dajincang to shorten credit periods in 2010, the Company's PRC management, who were expecting to incur additional financing costs if the credit periods were so shortened, sought to minimise such costs by offering the Supplier Guarantees to Dajincang's bank lenders.

As the provision of guarantee under the Supplier Guarantees constituted an advance to an entity under Rule 13.13 of the Listing Rules, and since the assets ratio of the guarantee provided by the Group was more than 8% as at 31 December 2014 and the date of this report, the Company's general disclosure obligation under Rule 13.20 of the Listing Rules of the Supplier Guarantees arose.

ON BEHALF OF THE BOARD

Liu Xiaoming
Chairman

Hong Kong
31 March 2015

Independent Auditors' Report

EY 安永

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

We were engaged to audit the consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 163, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

Except for the inability to obtain sufficient appropriate audit evidences as explained below, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Impairment of non-current assets

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

Financial guarantee contracts

During the course of our audit, we identified that the Group and the Company had issued guarantees to banks in connection with facilities granted to a major supplier which amounted to RMB3 billion at 31 December 2010, 2011 and 2012, RMB3.35 billion as at 31 December 2013 and RMB2.85 billion as at 31 December 2014. These financial guarantee contracts were not recognised in the Group's and the Company's financial statements. As the management has not assessed the fair value of these guarantees, as required by HKAS 39 *Financial Instruments: Recognition and Measurement* issued by the Hong Kong Institute of Certified Public Accountants, we are unable to quantify the impact of this departure on the financial statements.

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

Inventory losses

As disclosed in note 6 to the financial statements, for the year ended 31 December 2014, the Group recorded the following (i) in cost of sales a loss of HK$223 million for the disposal of certain corn kernels with deteriorated quality; (ii) in cost of sales a provision of HK$32 million against certain corn kernels with significant reduction in production yield; and (iii) in other expenses a stock loss amounting to HK$30 million arising from coal being scrapped. We have not been provided with sufficient supporting documents for these transactions and we are unable to ascertain whether these transactions recorded in the consolidated statement of profit or losses were fairly stated. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Inventories

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

Prepayment and other receivable

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

Accounts payable

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

Impairment of non-current assets

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

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Litigation

As explained in note 40 to the consolidated financial statements, the Company and certain subsidiaries of the Group were involved in litigation relating to certain infringed patents. During the year, 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 2014 in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. Any adjustment found to be necessary would affect the Group's net loss for the year ended 31 December 2014 and the Company's and the Group's net assets as at that date, and the related disclosures in the financial statements. Due to the same limitation of scope, we expressed a qualified opinion in our audit report in respect of the consolidated financial statements of the Group for the prior year ended 31 December 2013 and the Company's statement of financial position as at 31 December 2013.

Impairment of investments in subsidiaries and amounts due from subsidiaries

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

Fundamental uncertainties relating to going concern

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a net loss of HK$3,771 million during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$5,261 million. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of these financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated and the company statements of financial position as at 31 December 2014. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Disclaimer of opinion

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

Ernst & Young
Certified Public Accountants

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

31 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**6,399,205**	9,686,643
Cost of sales		**(7,288,927)**	(10,587,530)
Gross loss		**(889,722)**	(900,887)
Other income and gains	5	**426,090**	588,049
Selling and distribution expenses		**(551,339)**	(762,459)
Administrative expenses		**(836,170)**	(717,477)
Other expenses	6	**(1,233,409)**	(3,520,221)
Finance costs	7	**(628,318)**	(673,399)
Share of losses of associates		**–**	(27,899)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(3,712,868)**	(6,014,293)
Income tax expense	10	**(58,067)**	(222,584)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(3,770,935)**	(6,236,877)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**–**	(5,397)
LOSS FOR THE YEAR		**(3,770,935)**	(6,242,274)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(66,083)**	293,667
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Deficit on property revaluation		**–**	(266,072)
Income tax effect		**–**	69,745
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**–**	(196,327)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(66,083)**	97,340
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,837,018)**	(6,144,934)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Loss attributable to:			
Owners of the parent	*11*	**(3,371,388)**	(6,081,097)
Non-controlling interests		**(399,547)**	(161,177)
		(3,770,935)	(6,242,274)
Total comprehensive loss attributable to:			
Owners of the parent		**(3,430,332)**	(6,003,018)
Non-controlling interests		**(406,686)**	(141,916)
		(3,837,018)	(6,144,934)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the year	*13*	**HK$(1.03)**	HK$(1.86)
— For loss from continuing operations		**HK$(1.03)**	HK$(1.86)
Diluted			
— For loss for the year	*13*	**HK$(1.03)**	HK$(1.86)
— For loss from continuing operations		**HK$(1.03)**	HK$(1.86)

Details of the proposed dividend (if any) for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,762,369**	9,527,647
Prepaid land lease payments	15	**697,351**	812,925
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**5,907**	8,904
Goodwill	16	**106,308**	344,553
Intangible assets	17	**5,424**	5,434
Deferred tax assets	30	**968**	25,153
Investment in an associate	20	**—**	—
Total non-current assets		**9,578,327**	10,724,616
CURRENT ASSETS			
Non-current assets held for sale	18	**—**	759,480
Inventories	21	**843,829**	3,341,568
Trade and bills receivables	22	**581,793**	1,419,257
Prepayments, deposits and other receivables	23	**1,946,818**	952,114
Due from an associate	36	**21,320**	31,110
Equity investments at fair value through profit or loss	24	**35,617**	93,581
Derivative financial instruments		**—**	19,021
Pledged deposits	25	**269,909**	133,996
Cash and cash equivalents	25	**478,780**	1,309,997
Total current assets		**4,178,066**	8,060,124
CURRENT LIABILITIES			
Trade and bills payables	26	**2,001,091**	2,225,258
Other payables and accruals	27	**1,246,304**	1,063,113
Interest-bearing bank borrowings	28	**6,008,438**	4,954,609
Bonds		**—**	44,483
Tax payable		**182,813**	164,145
Total current liabilities		**9,438,646**	8,451,608
NET CURRENT LIABILITIES		**(5,260,580)**	(391,484)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,317,747**	10,333,132

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 *HK$'000*	2013 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,317,747**	10,333,132
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*28*	**2,682,488**	4,798,173
Deferred tax liabilities	*30*	**231,365**	230,304
Deferred income	*29*	**146,004**	209,747
Total non-current liabilities		**3,059,857**	5,238,224
Net assets		**1,257,890**	5,094,908
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*31*	**326,349**	326,349
Reserves	*33(a)*	**495,957**	3,926,289
		822,306	4,252,638
Non-controlling interests		**435,584**	842,270
Total equity		**1,257,890**	5,094,908

Liu Xiaoming
Chairman

Xu Ziyi
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		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	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		–	–	(3,540)	–	–	–	–	3,540	–	–	–	–
Transfer of share option reserve upon the forfeiture of share options	32	–	–	(525)	–	–	–	–	525	–	–	–	–
Control obtained over an associate		–	–	–	–	–	–	(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	33(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

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Attributable to owners of the parent										
		Issued capital	Share premium account	Share option reserve	Asset revaluation reserve	Other reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014		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
Loss for the year		–	–	–	–	–	–	–	(3,371,388)	(3,371,388)	(399,547)	(3,770,935)
Other comprehensive income for the year:												
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–	–	–	–	–	(58,944)	–	(58,944)	(7,139)	(66,083)
Total comprehensive loss for the year		–	–	–	–	–	–	(58,944)	(3,371,388)	(3,430,332)	(406,686)	(3,837,018)
Transfer of share option reserve upon the forfeiture of share options	32	–	–	(295)	–	–	–	–	295	–	–	–
Transfer from retained profits	33(a)	–	–	–	–	–	2,328	–	(2,328)	–	–	–
At 31 December 2014		326,349	2,431,853*	15,778*	429,877*	15,677*	351,875*	1,815,001*	(4,564,104)*	822,306	435,584	1,257,890

* These reserve accounts comprise the consolidated reserves of HK$495,957,000 (2013: HK$3,926,289,000) in the consolidated statement of financial position as at 31 December 2014.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(3,712,868)**	(6,014,293)
From a discontinued operation		**—**	(5,397)
Adjustments for:			
Finance costs	7	**628,318**	673,399
Gain on exercise of a put option by non-controlling interests	5	**—**	(187,500)
Gain on bargain purchase	5	**—**	(1,215)
Bank interest income	5	**(6,973)**	(4,384)
Loss/(gain) on disposal of items of property, plant and equipment	6	**1,170**	(13,603)
Gain on disposal of prepaid land lease payments	5	**(37,884)**	(55,485)
Gain on resumption of land, property, plant and equipment	5	**(256,863)**	(186,298)
Exchange loss on exercise of a put option by non-controlling interests	6	**—**	35,714
Depreciation	14	**596,599**	818,857
Amortisation of prepaid land lease payments	15	**24,701**	23,987
Impairment of property, plant and equipment	14	**262,633**	3,195,337
Impairment of intangible assets	17	**—**	21,342
Impairment of goodwill	16	**238,245**	3,875
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	6	**39,032**	176,685
Impairment of other receivables	6	**260,216**	13,960
Provision/(write-back) for impairment of trade receivables	6	**266,018**	(76,920)
Loss on scraped raw materials	6	**120,298**	—
Write-down of inventories to net realisable value	6	**515,103**	626,046
Amortisation of deferred income	29	**(8,637)**	(8,637)
Amortisation of intangible assets	17	**4**	3,059
Share of losses of an associate		**—**	27,899
Fair value (gains)/losses, net:			
— Derivative financial instruments	5	**4,800**	(27,374)
— Equity investments at fair value through profit or loss	5	**(1,527)**	(1,483)
— Bonds	5	**327**	(699)
— Long term receivables	5	**—**	(20,840)
— Investment in an associate	6	**—**	44,547
Exchange differences reclassified from reserves when the associate became a subsidiary	5	**—**	(1,489)
		(1,067,288)	(940,910)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Decrease in inventories		**1,820,568**	13,754
Decrease in trade and bills receivables		**553,705**	463,360
Decrease/(increase) in prepayments, deposits and other receivables		**(639,793)**	356,144
Increase/(decrease) in trade and bills payables		**(196,351)**	799,182
Increase/(decrease) in other payables and accruals		**158,462**	(63,929)
Decrease/(increase) in amounts due from an associate		**9,401**	(30,684)
Cash generated from operations		**638,704**	596,917
Interest received		**6,973**	4,384
Overseas taxes paid		**1,144**	(81,013)
Net cash flows from operating activities		**646,821**	520,288
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(184,470)**	(152,046)
Proceeds from disposal of items of property, plant and equipment		**7,778**	38,526
Proceeds from disposal of prepaid land lease payments		**37,500**	—
Proceeds from resumption of land, property, plant and equipment		**344,350**	332,241
Payment of prepaid land lease payments	15	**(4,441)**	(7,914)
Acquisition of subsidiaries		**—**	(84,388)
Proceeds from disposal of financial products at fair value through profit or loss		**58,734**	—
Purchase of financial products at fair value through profit or loss		**—**	(58,734)
Net cash flows from investing activities		**259,451**	67,685
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**4,093,750**	4,271,198
Repayment of bank loans		**(5,020,448)**	(3,430,988)
Interest paid		**(628,318)**	(640,408)
Exercise of a put option by non-controlling interests		**—**	(750,000)
Redemption of bonds		**(44,810)**	—
Settlement of derivative financial instruments		**14,221**	—
Pledged cash for issuance of bills payable		**(135,913)**	(133,996)
Net cash flows used in financing activities		**(1,721,518)**	(684,194)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(815,246)**	(96,221)
Cash and cash equivalents at beginning of year		**1,309,997**	1,266,470
Effect of foreign exchange rate changes, net		**(15,971)**	139,748
CASH AND CASH EQUIVALENTS AT END OF YEAR		**478,780**	1,309,997
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**448,671**	1,222,830
Non-pledged time deposits with original maturity of less than three months when acquired		**30,109**	87,167
Cash and cash equivalents as stated in the statement of cash flows	25	**478,780**	1,309,997

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*19*	**1,219,070**	1,219,070
Due from subsidiaries	*19*	**2,968,319**	2,930,090
Total non-current assets		**4,187,389**	4,149,160
CURRENT ASSETS			
Derivative financial instruments		**–**	19,021
Other receivables	*23*	**358**	359
Cash and cash equivalents	*25*	**41,008**	133,259
Total current assets		**41,366**	152,639
CURRENT LIABILITIES			
Bonds		**–**	44,483
Other payables and accruals	*27*	**6,881**	9,870
Total current liabilities		**6,881**	54,353
NET CURRENT ASSETS		**34,485**	98,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,221,874**	4,247,446
NON-CURRENT LIABILITIES			
Financial guarantee contracts		**706,407**	706,407
Total non-current liabilities		**706,407**	706,407
Net assets		**3,515,467**	3,541,039
EQUITY			
Issued capital	*31*	**326,349**	326,349
Reserves	*33(b)*	**3,189,118**	3,214,690
Total equity		**3,515,467**	3,541,039

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 in Hong Kong is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

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

2.1 BASIS OF PREPARATION

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

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

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

The Group recorded a consolidated net loss of HK$3,771 million (2013: HK$6,242 million) for the year ended 31 December 2014 and as at that date, the Group recorded net current liabilities of HK$5,261 million (31 December 2013: HK$391 million). In view of these circumstances, the directors have taken the following steps to improve the Group's liquidity and solvency position.

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

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

2.1 BASIS OF PREPARATION *(Continued)*

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

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

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

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

The Group is taking measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. During the year ended 31 December 2014, the Group has scaled down certain of its amino acids and corn starch production and suspended the production of polyol chemicals in order to minimising operating cash outflow.

2.1 BASIS OF PREPARATION *(Continued)*

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

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

[1] Effective from 1 July 2014

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

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

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

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

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

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

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

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

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

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

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

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

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

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

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

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.

Investment in an associate

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.

The Group's investment in an associate is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

The Group's share of the post-acquisition results and other comprehensive income of an associate 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, 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 associate is eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investments in an associate.

The results of an associate is included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as non-current assets and is 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 of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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:

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 (or 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.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of 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 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 and an associate, 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 and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the 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.

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 32 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

Pension schemes and other retirement benefits *(Continued)*

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was 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 and an associate 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 JUDGEMENTS AND ESTIMATES

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

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

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:

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 judgement. As at 31 December 2013, the Group recorded "Non-current assets held for sale" with a carrying value amounting to HK$759,480,000 which are 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 18 to the financial statements.

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 judgement. 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 18 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.

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

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. 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 refer 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 2014 was HK$106,308,000 (2013: HK$344,553,000). More details are given in note 16 to the financial statements.

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

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

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

Estimation uncertainty *(Continued)*

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 refer 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.

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 ageing 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 2014, the carrying amount of inventories was approximately HK$843,829,000 (2013: HK$3,341,568,000) after netting off the allowances for inventories of approximately HK$697,554,000 (2013: HK$873,910,000).

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 2014, the best estimate of the carrying amount of capitalised development costs was nil (2013: Nil).

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

Estimation uncertainty *(Continued)*

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 and has three reportable operating segments as follow:

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

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

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

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 loss, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, government grants, fair value gains/losses from the Group's financial instruments and corporate expenses are excluded from such measurement.

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

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	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue			
Sale of goods		**6,399,205**	9,686,643
Other income			
Bank interest income		**6,973**	4,384
Net profit arising from the sale of packing materials and by-products		**52,205**	38,998
Government grants*		**61,690**	39,554
Others		**8,259**	9,127
		129,127	92,063
Gains			
Gain on disposal of items of property, plant and equipment		**—**	13,603
Gain on disposal of prepaid land lease payments		**37,884**	55,485
Gain on bargain purchase		**—**	1,215
Gain on exercise of a put option by non-controlled interests		**—**	187,500
Gain on resumption of land, property, plant and equipment	*18*	**256,863**	186,298
Fair value change in long term receivables		**—**	20,840
Fair value gains, net:			
— Derivative financial instruments		**(4,800)**	27,374
— Equity investments at fair value through profit or loss		**1,527**	1,483
— Bonds		**(327)**	699
Foreign exchange difference, net		**5,816**	—
Exchange differences reclassified from reserves when the associate became a subsidiary		**—**	1,489
		296,963	495,986
		426,090	588,049

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

6. LOSS BEFORE TAX

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

		Group	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**5,119,523**	7,550,653
Depreciation	*14*	**596,599**	818,857
Amortisation of prepaid land lease payments	*15*	**24,701**	23,987
Auditors' remuneration		**4,800**	4,800
Employee benefit expenses (including directors' remuneration *(note 8)*):			
Wages and salaries		**208,340**	246,331
Pension scheme contributions		**7,454**	91,424
		215,794	337,755
Other expenses:			
Exchange loss on exercise of a put option by non-controlling interests		**—**	35,714
Impairment of property, plant and equipment	*14*	**262,633**	3,195,337
Impairment of intangible assets	*17*	**—**	21,342
Impairment of goodwill	*16*	**238,245**	3,875
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**39,032**	176,685
Impairment of prepayments and other receivables		**260,216**	12,415
Loss on scraped raw materials**		**120,298**	—
Fair value losses of investments in an associate		**—**	44,547
Research and development costs		**17,084**	14,242
Provision/(write-back) for impairment of trade receivables	*22*	**266,018**	(76,920)
Penalty for breach of contract***		**21,938**	—
Loss on disposal of property, plant and equipment		**1,170**	—
Foreign exchange difference, net		**—**	75,553
Others		**6,775**	17,431
		1,233,409	3,520,221

6. LOSS BEFORE TAX *(Continued)*

		Group	
	Notes	**2014** **HK$'000**	2013 HK$'000
Provision of inventories recognised to net realisable value*		**515,103**	626,046
Amortisation of deferred income	29	**(8,637)**	(8,637)
Amortisation of intangible assets	17	**4**	3,059
Share of losses of an associate		**—**	27,899
Fair value (gains)/losses, net:			
— Derivative financial instruments	5	**4,800**	(27,374)
— Equity investments at fair value through profit or loss	5	**(1,527)**	(1,483)
— Bonds	5	**327**	(699)
— Long term receivables	5	**—**	(20,840)
Exchange differences reclassified from reserves when the associate became subsidiary	5	**—**	(1,489)
Gain on bargain purchase****		**—**	1,215

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

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

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

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

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

**** 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	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**589,344**	604,445
Interest on bank loans not wholly repayable within five years	**184,054**	159,758
Finance costs for discounted bills receivable	**6,957**	3,582
Interest on bonds	**1,174**	2,985
Interest on a put option	**—**	32,991
	781,529	803,761
Less: Interest capitalised	**(153,211)**	(130,362)
	628,318	673,399

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

		Group	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Fees	*(a)*	**1,200**	1,200
Other emoluments:	*(b)*		
Basic salaries, housing benefits, other allowances and benefits in kind		**7,620**	7,200
Pension scheme contributions		**34**	30
		7,654	7,230
		8,854	8,430

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 2014 and 2013, 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:

	2014 **HK$'000**	2013 HK$'000
Mr. Chan Man Hon, Eric (resigned on 28 February 2015)	**480**	480
Mr. Lee Yuen Kwong (resigned on 27 February 2015)	**480**	480
Mr. Li Defa (resigned on 5 February 2015)	**240**	240
	1,200	1,200

Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong have been appointed as independent non-executive directors with effect from 1 March 2015.

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	**Pension scheme contributions** *HK$'000*	**Total remuneration** *HK$'000*
2014			
Executive directors:			
Mr. Liu Xiaoming	**3,960**	**17**	**3,977**
Ms. Xu Ziyi	**1,440**	**17**	**1,457**
Mr. Li Weigang (appointed on 30 December 2013)	**1,620**	**–**	**1,620**
Mr. Wang Yongan (appointed on 30 December 2013)	**600**	**–**	**600**
Mr. Kong Zhanpeng (appointed on 30 December 2013 and resigned on 23 May 2014)	**–**	**–**	**–**
Total	**7,620**	**34**	**7,654**
2013			
Executive directors:			
Mr. Liu Xiaoming	3,960	15	3,975
Miss 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

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 two (2013: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining there (2013: two) non-director, highest paid employees for the year are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**9,735**	7,560
Pension scheme contributions	**17**	15
	9,752	7,575

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
HK$1,000,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$4,500,000	**2**	2
	3	2

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong	**—**	—
Current – Mainland China	**8,090**	88,277
Current – Others	**24,113**	53,153
Deferred *(note 30)*	**25,864**	81,154
Total tax charge for the year	**58,067**	222,584

10. INCOME TAX *(Continued)*

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

Group – 2014

	Hong Kong		Mainland China		Others		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Loss before tax from continuing operations	(208,836)		(3,441,458)		(62,574)		(3,712,868)	
Tax at the statutory rate	(34,458)	16.5	(860,365)	25.0	(19,398)	31.0	(914,221)	24.6
Preferential tax rate offered	–	–	85,090	(2.5)	–	–	85,090	(2.3)
Income not subject to tax	(106)	–	11,916	(0.3)	–	–	11,810	(0.3)
Tax losses not recognised	34,087	(16.3)	681,334	(19.8)	19,398	(31.0)	734,819	(19.8)
Expenses not deductible for tax	477	(0.2)	113,867	(3.3)	–	–	114,344	(3.1)
Adjustments in respect of current tax of previous periods	–	–	1,578	–	–	–	1,578	–
Tax losses utilised from previous periods	–	–	534	–	–	–	534	–
Tax provision for transfer price	–	–	–	–	24,113	(38.5)	24,113	(0.7)
Tax charge at the Group's effective rate	–	–	33,954	(0.9)	24,113	(38.5)	58,067	(1.6)

10. INCOME TAX *(Continued)*

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)

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

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

During the year, tax charge was recognised for the subsidiary incorporated in Germany which was subject to statutory income tax rate of 15%, trade tax of 15.93% on income and solidarity surcharge representing 5.5% of the corporate income tax. The effective rate for the 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 2014 includes a loss of HK$25,572,000 (2013: loss of HK$116,160,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

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

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2014	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 2014	6,663,858	9,632,217	216,679	1,053,572	17,566,326
Additions	1,415	23,810	8,872	205,077	239,174
Disposals	(14,102)	(47,045)	(4,776)	(21,479)	(87,402)
Transfers	23,205	237,269	–	(260,474)	–
Exchange realignment	(80,065)	(84,446)	(2,588)	(11,020)	(178,119)
At 31 December 2014	6,594,311	9,761,805	218,187	965,676	17,539,979
Accumulated depreciation:					
1 January 2014	941,822	3,704,671	188,600	–	4,835,093
Depreciation provided during the year	166,974	420,293	9,332	–	596,599
Disposals	(7,455)	(43,437)	(4,082)	–	(54,974)
Exchange realignment	(11,456)	(48,968)	(2,253)	–	(62,677)
At 31 December 2014	1,089,885	4,032,559	191,597	–	5,314,041
Impairment:					
1 January 2014	–	3,198,905	4,681	–	3,203,586
Additions	2,650	259,983	–	–	262,633
Disposals	(2,650)	–	–	–	(2,650)
At 31 December 2014	–	3,458,888	4,681	–	3,463,569
Net book value:					
At 31 December 2014	5,504,426	2,270,358	21,909	965,676	8,762,369
At 31 December 2013	5,722,036	2,728,641	23,398	1,053,572	9,527,647
Analysis of cost or valuation:					
At cost	–	2,270,358	21,909	965,676	3,257,943
At 31 December 2013 valuation	5,504,426	–	–	–	5,504,426
	5,504,426	2,270,358	21,909	965,676	8,762,369

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

Group *(Continued)*

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	(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	(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
Additions	–	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

14. 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 owner 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. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2014, no revaluation has been performed as at that date.

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 2014 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	–	–	5,504,426	5,504,426

	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

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

Leasehold buildings *(Continued)*

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 2014	5,722,036
Addition and transfer from construction in progress	24,620
Disposal	(6,647)
Depreciation provided during the year	(166,974)
Exchange realignment	(68,609)
	5,504,426

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

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

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

Other information

At 31 December 2014, the Group has not obtained building certificates for certain leasehold buildings with a total net carrying amount of HK$3,355,872,026 (2013: HK$3,679,003,565). The directors considered that there were no potential risks given that the Group has obtained the 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$5,211,511,000 (2013: HK$5,440,531,000).

Details of the Group's property, plant and equipment pledged to secure the Group's interest-bearing bank loans are set out in note 28.

Included in the Group's property, plant and equipment as at 31 December 2014, were items of HK$1,700,189,000 (2013: HK$2,292,314,000) 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. 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 to prepare for the relocation.

Impairment provision

Included in these assets of HK$1,700,189,000, were items of HK$348,057,000 (net of depreciation and impairment) which are recorded by Global Sweeteners Holdings Limited ("GSH") group. Management of GSH has performed impairment assessment on these assets by comparing to their recoverable amounts and has provided impairment of HK$262,633,000 in the consolidated statement of profit or loss for the year ended 31 December 2014.

The recoverable amounts of the assets located at the Lu Yuan District amounting to HK$432,475,000 is determined based on management estimated fair value of the items of assets less cost of disposal by using depreciated replacement cost approach.

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

Impairment provision *(Continued)*

The following table illustrates the fair value measurement hierarchy of the recoverable amounts of the assets of GSH to be retained in the Lu Yuan District:

	Fair value measurement as at 31 December 2014 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*
Fair value measurement for:				
Land	–	–	135,900	135,900
Leasehold buildings	–	–	296,575	296,575
Total	–	–	432,475	432,475

Below is a summary of the valuation technique used and the key inputs to the valuation of leasehold buildings applied in the estimation of the recoverable amounts as at 31 December 2014:

	Valuation technique	**Significant Unobservable inputs**	**Range or weighted average**
Leasehold buildings	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/s.q.m.)	a. 1,489 to 4,737
		b. Administrative expense rate	b. 3%
		c. Developer's profit margin	c. 8%-10%
		d. Interest rate	d. 6%
		e. Rate of newness	e. 58%-90%

For the other fixed assets of HK$7,568 million (net of depreciation and impairment) recorded by the companies other than GSH, although substantial losses were recorded in the year 2014, the management has not performed impairment assessment on those assets.

15. PREPAID LAND LEASE PAYMENTS

		Group	
	Note	**2014** ***HK$'000***	2013 *HK$'000*
Carrying amount at 1 January		**836,149**	710,511
Additions		**4,441**	7,914
Acquisition of subsidiaries		**—**	213,118
Amortised during the year	6	**(24,701)**	(23,987)
Resumption of land		**—**	(69,994)
Disposal		**(85,631)**	(20,465)
Exchange realignment		**(8,954)**	19,052
Carrying amount at 31 December		**721,304**	836,149
Current portion included in prepayments, deposits and other receivables		**(23,953)**	(23,224)
Non-current portion		**697,351**	812,925

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 2014, the Group has not obtained land use right certificates for prepaid land lease payments with a total carrying amount of HK$46,743,000 (2013: HK$120,500,093).

Details of the Group's leasehold land pledged to secure the Group's interest-bearing bank loans are set out in note 28.

Included in the Group's prepaid land lease payments as at 31 December 2014, HK$260,952,000 (net of depreciation and impairment) (2013: HK$283,467,000) represented parcels of land located at the Lu Yuan District in Changchun, the PRC which are identified by management to be recovered through sale pursuant to the relocation plan as imposed by the local government. 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.

As at 31 December 2014, prepaid land lease payments of HK$177,663,000 (net of depreciation and impairment) were recorded by GSH group. Management of GSH has performed impairment assessment on these prepaid land lease payments by reference to independent professional valuation and no impairment was noted. For the other prepaid land lease payments of HK$519,688,000 (net of depreciation and impairment) recorded by the companies other than GSH, although substantial losses were recorded in the year 2014, the management has not performed impairment assessment on those assets.

16. GOODWILL

Group

	Note	Total HK$'000
At 1 January and 31 December 2013		
Cost		360,889
Accumulated impairment		(16,336)
Net carrying amount		344,553
Cost at 1 January 2014, net of accumulated impairment		344,553
Impairment during the year	6	(238,245)
Net carrying amount at 31 December 2014		106,308
At 31 December 2014:		
Cost		360,889
Accumulated impairment		(254,581)
Net carrying amount		106,308

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

16. GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

	2014	2013
	HK$'000	*HK$'000*
Jinzhou Yuancheng	**–**	28,442
Assets to be retained in the Lu Yuan District, PRC	**106,308**	316,111
	106,308	344,553

Jinzhou Yuancheng

Certain of the Group's goodwill related to Jinzhou Yuancheng which was acquired by the Group during the year ended 31 December 2008. The recoverable amount of Jinzhou Yuancheng is determined based on management estimated fair value less cost of disposal of the items of assets as associated therewith by reference to the independent professional valuation. The fair values of these assets are determined by depreciated replacement cost approach. Based on management's assessment, the carrying amounts of Jinzhou Yuancheng exceeded its recoverable amount as at 31 December 2014. Therefore, an impairment loss of HK$28,442,000 on goodwill was recognised in other expense in the consolidated statement of profit or loss for the year ended 31 December 2014.

The following table illustrates the fair value measurement hierarchy of the recoverable amounts of Jinzhou Yuancheng:

	Fair value measurement as at 31 December 2014 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*
Fair value measurement for:				
Land*	–	–	140,600	140,600
Leasehold buildings	–	–	250,425	250,425
Plant and equipment	–	–	251,170	251,170
Total	–	–	642,195	642,195

16. GOODWILL *(Continued)*

Jinzhou Yuancheng *(Continued)*

Below is a summary of the valuation technique used and the key inputs to the valuation of leasehold buildings applied in the estimation of the recoverable amounts as at 31 December 2014:

	Valuation Technique	Significant unobservable inputs	Range or weighted average
Leasehold buildings	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/s.q.m.)	a. 600 to 2,912
		b. Administrative expense rate	b. 3%
		c. Developer's profit margin	c. 8%
		d. Interest rate	d. 6%
		e. Rate of newness	e. 57%-99%

Assets to be retained in the Lu Yuan District, PRC

For goodwill of HK$209,803,000 recorded by GSH 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 refer to the best information available to reflect the amount that an entity could obtain at the end of the reporting period.

The recoverable amount of the associated assets to be disposed of that goodwill is allocated is determined based on management estimated fair value less cost of disposal of the items of assets as associated therewith, which amounted to HK$432,475,000. The fair values of these items are determined by depreciated replacement cost approach. Based on the impairment assessment, an impairment loss of HK$209,803,000 on goodwill was recognised in other expense in the consolidated statement of profit or loss for the year ended 31 December 2014.

For details of the fair value measurement hierarchy of the recoverable amounts of the assets to be retained in the Lu Yuan District, please refer to the section headed "impairment provision" section under note 14 to the financial statements.

For other goodwill of HK$106,308,000 recorded by the companies other than GSH, although substantial losses were recorded in the year 2014, the management has not performed impairment assessment on this goodwill.

17. INTANGIBLE ASSETS

Group

31 December 2014	**Golf club membership** *HK$'000*	**Trademarks** *HK$'000*	**Development costs** *HK$'000*	**Total** *HK$'000*
Cost at 1 January 2014	**5,290**	**144**	**—**	**5,434**
Amortisation provided during the year	**—**	**(4)**	**—**	**(4)**
Exchange realignment	**(6)**	**—**	**—**	**(6)**
As at 31 December 2014	**5,284**	**140**	**—**	**5,424**
At 31 December 2014:				
Cost	**5,290**	**154**	**—**	**5,444**
Accumulated amortisation	**—**	**(14)**	**—**	**(14)**
Exchange realignment	**(6)**	**—**	**—**	**(6)**
Net carrying amount	**5,284**	**140**	**—**	**5,424**

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

18 NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2014	2013
	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 was commenced in 2012 and will be achieved in stages.

On 30 December 2013 and 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 had been completed in 2013, the related assets had been derecognised and a gain on resumption of land which amounted to HK$186,298,000 (note 5) had been recognised in the year of 2013.

On 31 December 2013, 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, machinery and fixtures located in Lu Yuan District (the "First Asset Land Compensation Agreements"). The Land Reserve Centre agrees to make compensation to the Group which amounted to RMB86,480,000 (equivalent to HK$108,100,000). This transaction has been completed during the current year, the compensation has been fully settled, the related assets have been derecognised and a gain on resumption of buildings, machinery and fixtures which amounted to HK$102,669,000 (note 5) has been recognised in the current year.

During the year ended 31 December 2014, the Group entered inter compensation agreements 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 (the "Second Asset Land Compensation Agreements"), and the Land Reserve Centre agrees to make compensation to the Group which amounted to RMB719,000,000 (equivalent to HK$898,750,000). This transaction has been completed during the current year, the related assets have been derecognised and a gain on resumption of buildings, machinery and fixtures which amounted to HK$154,194,000 (note 5) has been recognised in the current year. The compensation of RMB189,000,000 (equivalent to HK$236,250,000) has been settled during the current year. Subsequent to the balance sheet date, RMB130,000,000 (equivalent to HK$162,500,000) has been received.

With respect to the Frist Asset Land Compensation Agreements and the Second Asset Land Compensation Agreements as set out in the preceding paragraph, the related buildings, machinery and fixtures had been reclassified from the non-current assets "property, plant and equipment" to current assets "non-current assets held for sale" as at 31 December 2013 and have been derecognised during the current year.

19. INVESTMENTS IN SUBSIDIARIES

	Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**1,219,070**	1,219,070

The amounts due from subsidiaries included in the Company's non-current assets of HK$2,968,319,000 (2013: HK$2,930,090,000) 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.* ("Jinzhou Yuancheng")	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.* ("Dihao")	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.# ("Baocheng")	PRC/Mainland China	US$49,227,952	100	Manufacture and sale of corn based biochemical products

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(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.* ("Dahe")	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.# ("JBT")	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 (Dacheng Bio-tech) 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 (Bio-chem American) Inc.	USA	US$500,000	100	Trading of corn based biochemical products
Global Bio-chem Technology Europe GmbH Inc.	Germany	EUR25,000	100	Trading of corn based biochemical products

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(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)*				
Global Sweeteners Trade Development (Dalian) Co. Ltd.*	PRC/Mainland China	US$9,100,000	64	International trading, exhibition and consultation
Shanghai Da Yi Food Co., Ltd.*	PRC/Mainland China	US$3,000,000	64	Manufacture and sale of corn based sweetener products
Global Sweeteners HFCS (Holding) Limited	Hong Kong	HK$1,000	64	Investment holding
Harbin Dacheng Bio Technology Co., Ltd.#	PRC/MainlandChina	RMB303,000,000	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

\# 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.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Group's main subsidiary that has material non-controlling interests are set out below:

	2014 **HK$'000**	2013 HK$'000
Percentage of equity interest held by non-controlling interests:		
GSH	**36%**	36%

	2014 **HK$'000**	2013 HK$'000
Loss for the year allocated to non-controlling interests:		
GSH	**400,781**	117,396
Dividends paid to non-controlling interests at the reporting dates:		
GSH	**–**	–
Accumulated balances of non-controlling interests at the reporting dates:		
GSH	**440,035**	840,816

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

GSH	**2014** **HK$'000**	2013 HK$'000
Revenue and other income	**3,050,546**	4,246,132
Cost and expenses	**(4,132,799)**	(4,555,235)
Tax	**(10,983)**	(11,126)
Loss for the year	**(1,093,236)**	(320,229)
Total comprehensive loss for the year	**(1,113,283)**	(286,771)
Current assets	**1,349,665**	2,503,058
Non-current assets	**1,378,787**	1,964,755
Current liabilities	**1,125,996**	2,286,064
Non-current liabilities	**678,556**	144,566
Net cash flows from operating activities	**316,459**	350,088
Net cash flows from (used in) investing activities	**96,083**	(54,051)
Net cash flows used in financing activities	**(634,350)**	(453,783)
Net decrease in cash and cash equivalents	**(221,808)**	(157,746)

20. INVESTMENTS IN AN ASSOCIATE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Share of net assets	**–**	–

The Group's balances with its associate as at 31 December 2014 and 2013 are disclosed in note 36(iii) to the financial statements.

Particulars of the associate are as follows:

Company name	Place of 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% (2013: 40%). 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 nil (2013: HK$1,540,000) and HK$3,928,000 (2013: HK$3,982,000), respectively.

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

	2014	2013
	HK$'000	*HK$'000*
Asset	**70,076**	52,714
Liabilities	**81,779**	60,845
Revenues	**–**	–
Loss for the year	**(3,674)**	(5,500)

21. INVENTORIES

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

As at 31 December 2014, certain inventories were written down to net realisable value of approximately HK$596,224,000 (31 December 2013: HK$2,189,947,000).

22. TRADE AND BILLS RECEIVABLES

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

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

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

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

22. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

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

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

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors 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.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

Transferred financial assets that are not derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB22,946,000 (equivalent to HK$28,683,000) (2013: RMB16,850,000, equivalent to HK$21,329,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was nil (2013: Nil) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB368,295,000 (equivalent to HK$460,369,000) (2013: RMB574,489,000, equivalent to HK$727,201,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Details of the Group's bills receivable pledged to secure the Group's interest-bearing bank loans are set out in note 28.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current:				
Prepayments	**913,638**	531,588	**358**	359
Deposits and other receivables	**1,033,180**	420,526	**—**	—
	1,946,818	952,114	**358**	359

As at 31 December 2014, the Group has recorded in deposits and other receivables amounting to approximately HK$793 million (2013: trade payable of HK$320 million) due from Changchun Dajincang Corn Collection Company ("Dajincang"), a major supplier of corn kernels, due to the stock return of certain corn kernels to Dajincang by two of the Group's subsidiaries, Changchun Dihao and Baocheng, and the prepayment made by Dahe. Because of the suspension of production in the preparation for the relocation, Changchun Dihao and Baocheng have returned corn kernels of 218,000 tons with a total cost of approximately HK$628 million to Dajincang. The stock return of corn kernels were charged at the original purchase price. Dajincang has two directors in common with the Group's subsidiaries located in Mainland China. Thus, Dajincang is deemed as a related party to the Group. Other transactions and the balance with Dajincang have been included in "related party transactions" in note 36 to the financial statements.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Insurance product, at market value	**35,617**	34,847
Financial product, at market value	**—**	58,734
	35,617	93,581

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.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**718,580**	1,222,830	**41,008**	133,259
Time deposits	**30,109**	221,163	**—**	—
	748,689	1,443,993	**41,008**	133,259
Less: Pledged for issuance of bills payable	**269,909**	133,996	**—**	—
Cash and cash equivalents	**478,780**	1,309,997	**41,008**	133,259

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$559,653,000 (31 December 2013: HK$829,805,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE AND BILLS PAYABLES

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

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

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

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Payables for purchases of machinery	**324,335**	306,216	**—**	—
Customer deposits/receipts in advance	**181,014**	371,371	**—**	—
Accruals	**237,089**	98,654	**4,897**	4,870
Others	**503,866**	286,872	**1,984**	5,000
	1,246,304	1,063,113	**6,881**	9,870

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2014			2013		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans – secured	5.88-8.0	2015	283,750	6.16-6.60	2014	132,747
Bank loans – unsecured	1.7-7.80/ HIBOR+1.5	On demand /2015	5,136,250	6.00-8/ 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
Long term bank loans repayable on demand – unsecured	HIBOR+1.5/ Higher (6-months HIBOR+3.3%, bank funding cost+1.5%)	On demand	88,438	HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (HIBOR+3.3, bank funding cost+1.5)/ HIBOR+1	On demand	28,438
Entrusted loans – secured	9.00	2015	500,000			–
			6,008,438			4,954,609
Non-current						
Bank loans – secured	8.0	2016-2017	212,500			–
Bank loans – unsecured	6.150-8.0	2016-2020	2,462,500	6.40-7.315	2014-2020	4,789,084
Other loans – unsecured		2018-2019	7,488	–	2018-2019	9,089
			2,682,488			4,798,173
			8,690,926			9,752,782

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**6,008,438**	4,321,699
In the second year	**995,000**	3,100,477
In the third to fifth years, inclusive	**1,325,000**	1,139,241
Beyond five years	**355,000**	549,366
	8,683,438	9,110,783
Other borrowings repayable:		
With one year	**—**	632,910
In the third to fifth years, inclusive	**7,488**	—
Beyond five years	**—**	9,089
	7,488	641,999
	8,690,926	9,752,782

As at 31 December 2014, certain of the Group's bank borrowings were pledged by bills receivable amounting to nil (2013: HK$105,091,000).

At 31 December 2014, property, plant and equipment of the Group amounting to HK$808,577,000 (2013: Nil) were pledged to secure banking facilities granted to the Group.

As at 31 December 2014, prepaid land lease payments of HK$320,134,625 (2013: 61,634,000) were pledged to secure bank loans.

As at 31 December 2014, the Group's bank borrowings were guaranteed by the Company, certain subsidiaries of the Group and independent third parties with amounts of approximately HK$6,533,437,500 (2013: HK$6,981,023,000), approximately HK$881,250,000 (2013: HK$2,402,075,000), and approximately HK$206,250,000 (2013: HK$227,848,000), respectively.

As at 31 December 2014, the Group's other loan of HK$500,000,000 was pledged by relocation compensation receivable from the local government amounting to HK$662,500,000 (31 December 2013: Nil).

As at 31 December 2014, the Group's bank and other borrowings of HK$8,602,488,000 (2013: HK$9,634,747,000), nil (2013: HK$23,847,000) and HK$88,438,000 (2013: HK$94,188,000) were denominated in Renminbi, United States dollars and Hong Kong dollars, respectively.

29. DEFERRED INCOME

The table below presents the movements of deferred income:

	Note	2014 HK$'000	2013 HK$'000
At 1 January		**209,747**	33,092
Addition		**11,875**	38,549
Acquisition of a subsidiary		**—**	145,933
Amortised during the year	6	**(8,637)**	(8,637)
Reversed during the year		**(63,272)**	—
Exchange realignment		**(3,709)**	810
At 31 December		**146,004**	209,747

The balance represented the receipt of government grants for the construction of certain of the Group's production plants, which has 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.

30. 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	Revaluation of properties	Fair value adjustments arising from acquisition of subsidiaries	Loss of control of a subsidiary	Withholding tax on distributable profits of the Group's PRC subsidiary	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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	–	–	17,457	–	–	17,457
Exchange realignment	1,586	–	–	–	–	1,586
At 31 December 2013 and 1 January 2014	**46,483**	**141,947**	**21,416**	**3,742**	**16,716**	**230,304**
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	**1,992**	**–**	**–**	**–**	**–**	**1,992**
Exchange realignment	**(931)**	**–**	**–**	**–**	**–**	**(931)**
At 31 December 2014	**47,544**	**141,947**	**21,416**	**3,742**	**16,716**	**231,365**

30. 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 2013	26,711	61,123	3,279	91,113
Impairment of deferred tax assets *(note 10)*	(3,803)	(47,825)	—	(51,628)
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	(10,122)	(6,516)	—	(16,638)
Exchange realignment	676	1,547	83	2,306
At 31 December 2013 and 1 January 2014	**13,462**	**8,329**	**3,362**	**25,153**
Impairment of deferred tax assets *(note 10)*	**(13,294)**	**(6,015)**	**(3,321)**	**(22,630)**
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	**—**	**(1,242)**	**—**	**(1,242)**
Exchange realignment	**(168)**	**(104)**	**(41)**	**(313)**
At 31 December 2014	**—**	**968**	**—**	**968**

The Group has accumulated tax losses arising in Hong Kong of approximately HK$155,360,000 (2013: HK$32,776,000) 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$7,018,696,000 (2013: HK$4,329,136,000) 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 2014, 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.

30. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

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

31. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2013: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,263,489,164 (2013: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

There was no share option exercised during the year ended 31 December 2014 and 31 December 2013.

32. 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.

32. SHARE OPTION SCHEMES *(Continued)*

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

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 quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

32. SHARE OPTION SCHEMES *(Continued)*

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

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

	2014 Weighted average exercise price per share *HK$'000*	**2014** Number of options *HK$'000*	2013 Weighted average exercise price per share *HK$'000*	2013 Number of options *HK$'000*
At 1 January	**1.24**	**3,100**	1.24	4,600
Forfeited during the year		**–**	1.24	(1,500)
At 31 December	**1.24**	**3,100**	1.24	3,100

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

2014

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**

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

32. SHARE OPTION SCHEMES *(Continued)*

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

There were no additional share options granted during the years ended 31 December 2014 and 2013. 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 ended 31 December 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 not necessarily be the actual outcome either.

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).

(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.

32. SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

	2014		2013	
	Weighted average exercise price per share ***HK$'000***	**Number of options** ***'000***	Weighted average exercise price per share *HK$'000*	Number of options *'000*
At 1 January	**1.67**	**25,400**	1.67	31,400
Forfeited during the year	**1.67**	**(500)**	1.67	(6,000)
At 31 December	**1.67**	**24,900**	1.67	25,400

32. SHARE OPTION SCHEMES *(Continued)*

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

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

2014 **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**	**24,900**

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

* 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 years ended 31 December 2014 and 2013. The fair value of the share options granted during the year ended 31 December 2011 was HK$0.59 each.

The fair value of equity-settled share options granted during the year ended 31 December 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 not necessarily be the actual outcome either.

32. SHARE OPTION SCHEMES *(Continued)*

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

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

At the end of the reporting period, GSH had 24,900,000 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 24,900,000 additional ordinary shares of GSH, giving rise to additional share capital of HK$2,490,000 and share premium of HK$39,093,000 (before issue expenses).

33. 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 61 to 62 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.

33. RESERVES *(Continued)*

(b) Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
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		—	(525)	525	—
At 1 January 2014		**2,719,588**	**1,087**	**494,015**	**3,214,690**
Loss for the year	11	**—**	**—**	**(25,572)**	**(25,572)**
Equity-settled share option arrangement		**—**	**(295)**	**295**	**—**
At 31 December 2014		**2,719,588**	**792**	**468,738**	**3,189,118**

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.

34. CONTINGENT LIABILITIES

Group

Patent infringement

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.

34. CONTINGENT LIABILITIES *(Continued)*

Group *(Continued)*

Alleged infringement of EP 1.664.318 (entitled "L-amino acid-producing microorganism 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 filed a response to the aforementioned counterclaim and an oral hearing was scheduled on 13 June 2014. On 14 September 2014, the Court rejected the Plaintiffs' claim and awarded part of the claims of the Relevant Group Members. The Plaintiffs was ordered to pay half of the legal costs of the Relevant Group Members. The Plaintiffs timely appealed the decision by means of a writ of summons dated 9 December 2014 and the Relevant Group Members filed its response and cross appeal on 24 February 2015. On 31 March 2015, the infringement is still in the proceedings.

34. CONTINGENT LIABILITIES *(Continued)*

Group *(Continued)*

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) requiring the Relevant Group Members to deliver to the Plaintiffs or destroy all infringing L-lysine products in the Netherlands; (iii) requiring 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) requiring, 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 EP318 and EP912. Therefore, no provision for any infringement compensation is considered necessary.

Litigation relating to the delay of payment to suppliers in Mainland China

During the current year, due to the short of working capital, the Group delayed to settle the trade payables to suppliers, and several subsidiaries in Mainland China have been involved in litigations in Mainland China initiated by 50 suppliers related to overdue trade payables. The total alleged amount of litigation is approximate HK$49,000,000. Up to the date of this report, majority of litigations are already concluded by the court or settled, the litigation with the alleged amount of HK$1,380,000 is pending for the judgment. Since the Group already recorded all these trades payable in the financial statements as at 31 December 2014, the directors are of the view that the litigation has no significant impact on the Group's financial statements for the year ended 31 December 2014.

Financial guarantee contracts

During November 2010 to March 2015, the Company and several subsidiaries established in Mainland China entered into financial guarantee contracts with Bank of China ("BOC") and Agricultural Bank of China ("ABC") for the benefit of Dajincang in respect of its certain bank borrowings. The maximum guaranteed amounts were RMB3 billion at 31 December 2010, 2011 and 2012, RMB3.35 billion as at 31 December 2013 and RMB2.85 billion as at 31 December 2014. These financial guarantee contracts were not disclosed as contingent liabilities in the Group's and the Company's financial statements in previous years, and were not recognised in the Group's and the Company's financial statements as at 31 December 2014 and in previous years. Please refer to the Company's announcement dated 31 March 2015 for details of the financial guarantee contracts.

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.

34. CONTINGENT LIABILITIES *(Continued)*

Company

At 31 December 2014, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$6,533,437,500 (2013: HK$6,981,023,000).

35. COMMITMENTS

At 31 December 2014, the Group had capital commitments as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**200,775**	161,626
Plant and machinery	**102,241**	76,258
	303,016	237,884

The Company did not have any other significant commitments as at 31 December 2014.

36. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

		2014	2013
	Notes	***HK$'000***	*HK$'000*
Sale of electricity and water to an associate	*(a)*	**297**	–
Purchase of corn refinery products from a former associate	*(b)*	**–**	72,368
Purchase of equipment from a related party	*(c)*	**25,622**	20,482

36. RELATED PARTY TRANSACTIONS *(Continued)*

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

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.

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

(ii) Transactions with Dajincang

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

As at 31 December 2014, the other receivables due from and prepayment made to Dajincang amounted to approximately HK$793 million (2013: trade payable of HK$320 million). Further details are set out in note 23 to the financial statements.

(iii) Balances with related parties

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

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

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

36. RELATED PARTY TRANSACTIONS *(Continued)*

(iv) Compensation of key management personnel of the Group *(Continued)*

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

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

37. 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:

2014

	Group		
Financial assets	**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	**–**	**581,793**	**581,793**
Financial assets included in prepayments, deposits and other receivables *(note 23)*	**–**	**1,033,180**	**1,033,180**
Due from an associate	**–**	**21,320**	**21,320**
Equity investments at fair value through profit or loss	**35,617**	**–**	**35,617**
Cash and cash equivalents	**–**	**478,780**	**478,780**
Pledged deposits	**–**	**269,909**	**269,909**
	35,617	**2,384,982**	**2,420,599**

37. FINANCIAL INSTRUMENTS BY CATEGORY

2013

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	—	1,419,257	1,419,257
Financial assets included in prepayments, deposits and other receivables *(note 23)*	—	420,526	420,526
Due from an associate	—	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 deposits	—	133,996	133,996
	112,602	3,314,886	3,427,488

2014

Financial liabilities	**Group** **Financial liabilities at amortised cost** ***HK$'000***	**Total** ***HK$'000***
Trade and bills payables	**2,001,091**	**2,001,091**
Financial liabilities included in other payables and accruals	**1,065,290**	**1,065,290**
Interest-bearing bank and other borrowings	**8,690,926**	**8,690,926**
	11,757,307	**11,757,307**

37. FINANCIAL INSTRUMENTS BY CATEGORY

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
	44,483	12,669,782	12,714,265

2014

Financial assets	**Company** **Loans and receivables** ***HK$'000***	**Total** ***HK$'000***
Due from subsidiaries	**2,968,318**	**2,968,318**
Other receivables	**358**	**358**
Cash and cash equivalents	**41,008**	**41,008**
	3,009,684	**3,009,684**

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013

	Company		
Financial assets	Financial assets at fair value through profit or loss designated as such upon initial recognition	Loans and receivables	Total
	HK$'000	*HK$'000*	*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
	19,021	3,063,708	3,082,729

2014

	Company	
Financial liabilities	**Financial liabilities at amortised cost**	**Total**
	HK$'000	***HK$'000***
Financial liabilities included in other payables and accruals	**6,881**	**6,881**
Financial guarantee contracts	**706,407**	**706,407**
	713,288	**713,288**

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013

Financial liabilities	Company		
	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
	44,483	716,277	760,760

38. 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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Derivative financial instruments	**–**	19,021	**–**	19,021
Equity investments at fair value through profit or loss	**35,617**	93,581	**35,617**	93,581
	35,617	112,602	**35,617**	112,602

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

Group *(Continued)*

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Financial liabilities				
Interest-bearing bank and other borrowings	**8,690,926**	9,752,782	**8,690,926**	9,752,782
Bonds	**—**	44,483	**—**	44,483
	8,690,926	9,797,265	**8,690,926**	9,797,265

Company

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Financial liabilities				
Financial guarantee contracts	**706,407**	706,407	**706,407**	706,407
Bonds	**—**	44,483	**—**	44,483
	706,407	750,890	**706,407**	750,890

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 an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager 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 officer 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 officer. 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:

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

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 2014 was assessed to be insignificant.

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

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 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments at fair value through profit or loss	**35,617**	**—**	**—**	**35,617**

Group

As at 31 December 2013

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

38. 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

Company

As at 31 December 2014

	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***
Financial guarantee contracts	**—**	**706,407**	**—**	**706,407**

38. 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

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 (2013: Nil).

Liabilities for which fair values are disclosed:

Group

As at 31 December 2014

	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	**—**	**8,690,926**	**—**	**8,690,926**

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

Liabilities for which fair values are disclosed: *(Continued)*

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include trade and bills receivables, prepayments, deposits and other receivables, amounts due from an associate, 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.

Financial assets of the Company include amounts due from subsidiaries and cash and cash equivalents. Financial liabilities of the Company include other payables and financial guarantee contracts.

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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk *(Continued)*

	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*
2014					
Hong Kong dollar	**1**	**(66,947)**	**(53,600)**	**1**	**(351)**
Hong Kong dollar	**(1)**	**66,947**	**53,600**	**(1)**	**351**
2013					
Hong Kong dollar	1	(68,515)	(54,164)	1	(371)
Hong Kong dollar	(1)	68,515	54,164	(1)	371

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 an associate 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 34 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 22 and 23 to the financial statements.

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

Liquidity risk

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

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

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

Group

	2014					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Trade and bills payables	**2,001,091**	**–**	**–**	**–**	**–**	**2,001,091**
Interest-bearing bank and other borrowings	**94,474**	**817,825**	**5,294,463**	**2,736,127**	**229,737**	**9,172,626**
Other payables and accruals	**828,201**	**237,089**	**–**	**–**	**–**	**1,065,290**
	2,923,766	**1,054,914**	**5,294,463**	**2,736,127**	**229,737**	**12,239,007**

39. 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: (continued)

Group

	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*
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

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

	2014					
	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	**763,438**	**637,500**	**3,087,500**	**1,903,000**	**142,000**	**6,533,438**
Other payables and accruals	**6,881**	**—**	**—**	**—**	**—**	**6,881**
	770,319	**637,500**	**3,087,500**	**1,903,000**	**142,000**	**6,540,319**

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

Liquidity risk *(Continued)*

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

Note:

Included in interest-bearing bank and other borrowings of the Group are term loans in the amount of HK$83,888,000 (31 December 2013: HK$28,438,000). 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 Dajincang 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 600,000 tons of corn kernels amounting to approximately HK$1,643 million during the contract period (one year) and bear certain warehouse administration expenses. At the end of the reporting period, the purchase commitment pursuant to the above agreements was approximately 477,000 tons, and the directors have estimated the amount to be approximately HK$1,166 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.

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.

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

Capital management *(Continued)*

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 2014 and 2013.

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

	2014	2013
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**8,690,926**	9,752,782
Less: Cash and cash equivalents	**(478,780)**	(1,309,997)
Net debt	**8,212,146**	8,442,785
Capital	**822,306**	4,252,638
Gearing ratio	**999%**	199%

40. 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 judgement by the courts confirmed that the Relevant Group Members had infringed certain patents of the Plaintiffs. Relevant Group Members were forbidden to sell the infringed products in the Netherlands subsequent to the judgment.

In respect of an alleged new infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") initiated by the Plaintiffs, In October 2013, a writ was served by the Plaintiffs on the Relevant Group Members in the Netherlands in respect of the Relevant Group Members' violation of the injunction as it was found that the Relevant Group Members continued to sell infringed products in the Netherlands.

40. LITIGATIONS *(Continued)*

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, payment was made to the filing of the writ, pursuant to a request from the Plaintiffs. The Relevant Group Members received the writ of summons dated 12 August 2014, on which the Plaintiffs claims confirmation of the measures imposed by the judgment of 17 February 2014. The directors, after having sought legal advice and based on latest available information which includes a calculation method of the penalty as set out in the relevant judgment and the prior request for payment by the Plaintiffs, paid an upfront payment and legal cost during the current year, which the management considers to be a fair estimate of the penalty payable under the judgment subject to other methods of calculation of penalty not being applied or applicable, as to which the Company's external legal advices are unable to advise in definitive terms at this stage. The Group is currently seeking legal advice in relation to the above judgment, which may include an application for clarification of the judgment. Please refer to the Company's announcement dated 25 March 2014 for details of the infringement.

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

41. EVENT AFTER THE REPORTING PERIOD

In February 2015, the Group has entered into a maximum pledge contract with a bank in Mainland China to provide pledge to secure banking facilities granted to a subsidiary. The maximum pledge amount is RMB200 million (approximately HK$250 million). The carrying amounts of the leasehold buildings and prepaid land lease payments of the Group subject to the pledge are HK$149,529,000 and HK$41,883,000, respectively.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

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				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**6,399,205**	9,686,643	11,908,082	14,299,490	9,149,077
Cost of sales	**(7,288,927)**	(10,587,530)	(10,376,091)	(10,944,789)	(7,589,713)
Gross profit/(loss)	**(889,722)**	(900,887)	1,531,991	3,354,701	1,559,364
Other income and gains	**426,090**	588,049	107,237	132,685	138,929
Gain on loss of control of a subsidiary	**–**	–	–	14,969	–
Selling and distribution costs	**(551,339)**	(762,459)	(770,380)	(719,618)	(550,726)
Administrative expenses	**(836,170)**	(717,477)	(458,799)	(438,090)	(268,365)
Other expenses	**(1,233,409)**	(3,520,221)	(367,371)	(103,600)	(21,293)
Finance costs	**(628,318)**	(673,399)	(585,295)	(521,920)	(378,542)
Share of profits/(losses) of joint ventures	**–**	–	(1,324)	(2,598)	1,196
Share of losses of associates	**–**	(27,899)	(9,346)	(742)	–
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(3,712,868)**	(6,014,293)	(553,287)	1,715,787	480,563
Income tax expense	**(58,067)**	(222,584)	(11,062)	(335,969)	(110,296)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(3,770,935)**	(6,236,877)	(564,349)	1,379,818	370,267
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	(5,397)	(119,819)	(1,846)	3,393
PROFIT/(LOSS) FOR THE YEAR	**(3,770,935)**	(6,242,274)	(684,168)	1,377,972	373,660
Profit/(loss) attributable to:					
Owners of the parent	**(3,371,388)**	(6,081,097)	(554,508)	1,309,798	331,726
Non-controlling interests	**(399,547)**	(161,177)	(129,660)	68,174	41,934
	(3,770,935)	(6,242,274)	(684,168)	1,377,972	373,660
TOTAL ASSETS	**13,756,393**	18,784,740	22,934,334	23,750,728	19,835,098
TOTAL LIABILITIES	**(12,498,503)**	(13,689,832)	(11,696,158)	(11,888,188)	(10,162,223)
NON-CONTROLLING INTERESTS	**(435,584)**	(842,270)	(1,568,007)	(1,679,417)	(974,751)
	822,306	4,252,638	9,670,169	10,183,123	8,698,124