GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809

ANNUAL REPORT 2015

* For identification purpose only

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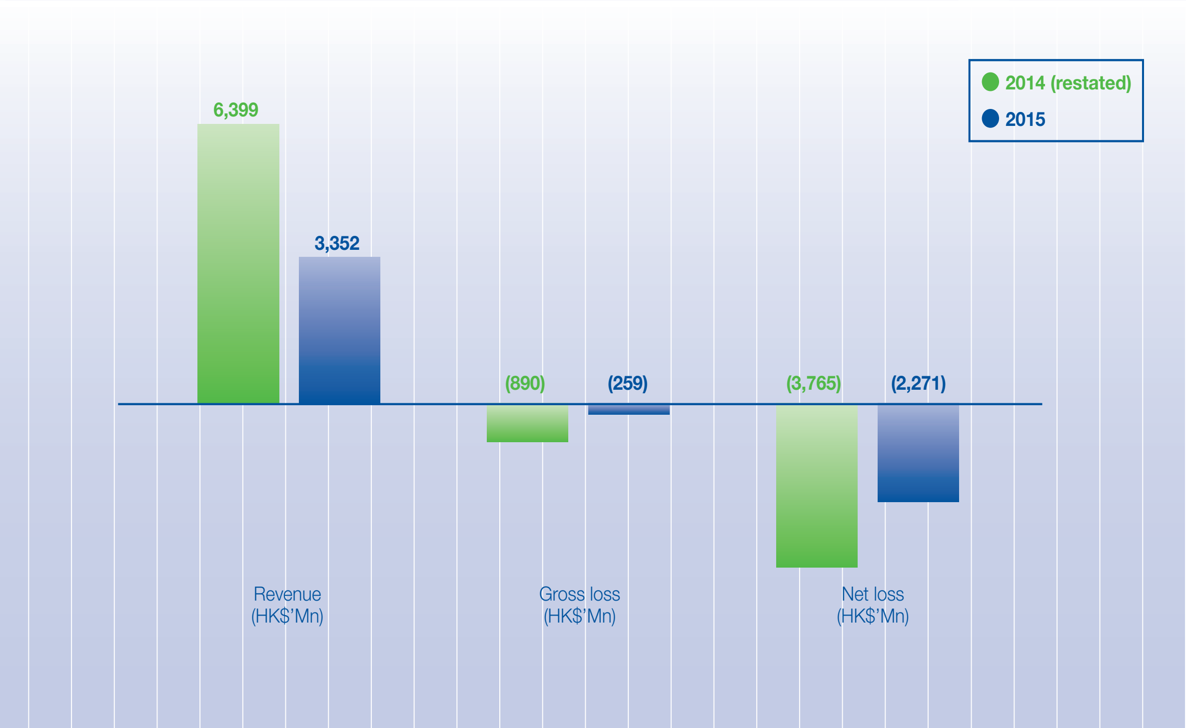
Financial Highlights



	2015	2014 (restated)	Change %
Revenue (HK$'Mn)	**3,352**	6,399	(47.6)
Gross loss (HK$'Mn)	**(259)**	(890)	N/A
Net loss for the year (HK$'Mn)	**(2,271)**	(3,765)	N/A
Net loss attributable to owners of the Company (HK$'Mn)	**(1,996)**	(3,365)	N/A
Basic loss per share (HK cents)	**(51)**	(103)	N/A
Proposed final dividend per share (HK cents)	**—**	—	N/A

Corporate Information

BOARD OF DIRECTORS

Wang Qiu, *Chairman*
(appointed on 15 October 2015)
Wang Jian, *Executive Director*
(appointed on 15 October 2015)
Li Shuguang, *Executive Director*
(appointed on 15 October 2015)
Liu Fang, *Executive Director*
(appointed on 15 October 2015)
Liu Xiaoming, *Executive Director*
(resigned on 15 October 2015)
Xu Ziyi, *Executive Director*
(resigned on 15 October 2015)
Li Weigang, *Executive Director*
(resigned on 15 October 2015)
Wang Yongan, *Executive Director*
(resigned on 15 October 2015)
Ji Jianping, *Executive Director*
(appointed on 12 March 2015 and resigned on 15 October 2015)
Cheung Chak Fung, *Executive Director*
(appointed on 23 April 2015 and resigned on 15 October 2015)
Qiu Zhuang, *Non-executive Director*
(appointed on 15 October 2015)
Xing Lizhu, *Non-executive Director*
(appointed on 15 October 2015)
Chiu Lai Ling, Shirley,
Independent Non-executive Director
(appointed on 16 March 2016)
Ng Kwok Pong,
Independent Non-executive Director
(appointed on 1 March 2015)
Yeung Kit Lam,
Independent Non-executive Director
(appointed on 23 April 2015)
Chan Chi Wai, Benny,
Independent Non-executive Director
(appointed on 1 March 2015 and resigned on 28 December 2015)
Lee Yuen Kwong,
Independent Non-executive Director
(resigned on 27 February 2015)
Chan Man Hon, Eric,
Independent Non-executive Director
(resigned on 28 February 2015)
Li Defa,
Independent Non-executive Director
(resigned on 5 February 2015)

COMPANY SECRETARY

Lee Chi Yung, ACCA, 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

AUDITOR

World Link CPA Limited
Certified Public Accountants
5th Floor
Far East Consortium Building
121 Des Voeux Road 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

Message to Shareholders

Dear Shareholders,

This is the first annual report I, as the chairman of Global Bio-chem Technology Group Company Limited, presented to our shareholders.

Subsequent to Global Bio-chem's allotment and issue of new shares in October 2015, the new management team has been actively making adjustments to improve the operations and production, general management as well as the finance of the Group – better regulated and modern administration mechanisms were introduced to enhance corporate governance and operation efficiency; and the Group's working capital were strengthened through the capital injection – all these measures have laid a solid foundation for the Group's long-term stable development.

During the year under review, the Group's management took measures to actively resolve the issues raised in the 2014 annual report. Such measures include the negotiation with banks to discharge supplier guarantees provided by a subsidiary of the Company to 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement, Ltd., "Dajincang"), and resolving the overdue trade receivables and corn inventory. The Group also significantly lowered the interest costs through debt restructuring and reduced its financial pressure.

Poor market sentiment for lysine products continued during the year under review. Over-capacity and depressed average selling prices ("ASP") exerted further pressure on the profits of most domestic lysine manufacturers. In light of the adverse market environment, many lysine manufacturers have scrambled to reduce production and cut prices to push sales. Taking the opportunity of the weak lysine market, the Group carried out alteration work to upgrade its amino acid production facilities in Dehui to enhance production efficiency and reduce energy consumption. As for the amino acid production facilities in Lu Yuan production site, production was suspended for most of the year under review. Production has resumed gradually since November and was back to normal operation since December 2015. After a period of prolonged market consolidation, domestic lysine price witnessed a moderate recovery in the fourth quarter of 2015. This would help alleviate the pressure of lysine manufacturers. Facilitated by all these favourable factors, the Group's lysine segment has recorded gross profit since December 2015.

Upstream corn refinery business continued to be impacted by high corn price during the year under review. The ASP of upstream corn refined products had once dropped below production costs – the upstream operating environment has been under severe challenge. The situation, however, was ameliorated after the Group's restructuring in mid-October 2015. Leveraging on the new shareholder's resources and connections, and through active communication with the local government, the Group achieved substantial cost reduction through government's subsidising policy for corn procurement as well as utilities expenses. Nevertheless, oversupply in the market, low utilisation of upstream and downstream operations, and the subsequent significant downscaling in sales have negative impacts on the Group's performance during the year under review. As such, notwithstanding the improvement year on year, the Group continued to report a loss in 2015.

The Group entered into a memorandum of understanding ("MOU") regarding the disposal of land lots in Lu Yuan District with a potential buyer, for a total consideration of RMB2.2 billion in end of 2015. Upon the completion of the land disposal, the proceeds from the transactions will not only strengthen the Group's financial position and relieve its capital pressure, but also accelerate the relocation of the Changchun plant.

OUTLOOK

The new management team has implemented a series of business reorganisation since its appointment in the second half of October 2015 and successfully obtained various government subsidies, leading to significant reduction in the Group's production costs. As the lysine production returning to normal operation, the Group is expected to further improve its operation efficiency this year. Yet challenges still exist in upstream corn refinery business, the upstream operations are designed to support the Group's downstream production and have irreplaceable strategic value to the Group. The management will timely adjust the upstream facilities utilisation for profit maximisation.

Since the price recovery by the end of 2015, lysine price remained relatively stable in the first two months of the current year. After two years of severe market consolidation, the domestic lysine market has gradually been back on track. While a moderate demand growth is expected, still more time is needed for the market to absorb the excess capacity. The Group will remain vigilant to the challenging market condition. Although the Group's lysine products continue to be supported by our existing customers in the domestic market and their stable orders, the management considers it of equal importance to provide comprehensive customer services to keep up-to-date about market changes. Therefore, the Group will strengthen its sales effort and pay more attention to customer relations management. In addition to reinforcing its brand awareness in the domestic market, the Group is also actively developing overseas markets for its amino acid products. Meanwhile, the Group will continue to optimise its product variety, and strive to develop high value added amino acid products, to enrich downstream product range, as well as to offer our customers more product choices and customized services. The Group is also planning a pilot launch of new amino acid products in small volume later this year.

Although the new management team and myself have joined the Group for only a few months' time, with the great support from our new shareholder, already we noticed encouraging improvements in the Group's operations and financial position. Along with such enhancements, capital injection and debt restructuring, the Group's financial position is turning into a healthier position. It is expected that through the disposal of land and assets as announced by the Company on 14 April 2016 and the management's continuous effort to negotiate with banks to release the supplier guarantees, those potential risks relating to the Group's financial exposure stated in the 2014 annual report can be gradually resolved.

After years of challenging operation, we believe that the Group has finally seen the silver lining in the clouds. Global Bio-chem is a global leading biochemical enterprise both in terms of technology and production scale. We will devote ourselves to maximizing the value of the resources from our new shareholder and the synergies from our cooperation, to transform the Group into a broader and stronger agricultural business platform.

We are grateful to our colleagues, shareholders, business associates, and bankers for their firm support to the Group in the past years. In return for our shareholders' faith in Global Bio-chem, we will continue to strive for enhancing the Company's value.

Chairman
Wang Qiu

25 April 2016

Global Bio-chem Technology Group Company Limited (the "Company" or "GBT") and its subsidiaries (collectively, the "Group") is principally engaged in the manufacture and sale of corn refined products, amino acids, polyol chemicals and corn sweeteners. The upstream corn refinery segment serves as a feedstock which break down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

BUSINESS REVIEW

The selling prices of the Group's products are affected by the prices of their raw materials (principally corn kernels and corn starch), the demand and supply of each of the products and their respective substitutes in the market and the variety of product specifications.

Global corn harvest in 2015 has reached 968 million metric tonnes ("MT"). However, due to global economic slowdown, international corn price dropped to 406 US cents per bushel (equivalent to RMB1,036 per MT) (End of 2014: 521 US cents per bushel, equivalent to RMB1,257 per MT) by the end of 2015. In the People's Republic of China (the "PRC"), corn harvest in 2015/16 increased slightly to about 225 million MT (2014/15: approximately 215 million MT). Despite the PRC government's effort in protecting local farmers and stabilising domestic corn price, weak market sentiment has led to sluggish demand — pushing down the market price of corn kernels to approximately RMB2,023 per MT (end of 2014: RMB2,374 per MT) by the year end of 2015.

The PRC agricultural policy has shown signs of reform. The pilot program of direct subsidies to farmers for certain agricultural products to compensate the discrepancy between the floor price and the prevailing market price was launched in early 2015. Such policy aimed at restoring price mechanism of agricultural products back to market approach. Notwithstanding the fact that the new scheme has not yet covered domestic corn at present, the State Government has expressed the intention to apply the same to domestic corn in its latest official documents subsequent to the finalisation of its thirteenth five-year plan. It is expected that this will bring stability to the purchasing price of corn in the PRC.

In spite of the continuous economic stimuli of the PRC government, the pace of economic growth in China remained slow. Consequently, the market selling prices of the Group's upstream products were put under pressure. The price of upstream products remained weak during the year ended 31 December 2015 (the "Year") at approximately RMB2,604 per MT (2014: RMB2,904 per MT).

On the other hand, overcapacity and economic slowdown in China continued to hit the Group's amino acid business. As a result, average selling price of the Group's amino acid products remained low during the Year. As such, the management has optimised the scale of production by lowering facilities utilisation of the Group's amino acid production; while at the same time, taking the opportunity to revamp and upgrade its production facilities to lower energy consumption and raise production efficiency. Since the mid of November 2015, lysine products showed signs of price recovery. Coupled with the cost savings resulting from the facilities upgrade during the Year, the Group's lysine segment has recorded gross profit since December 2015.

The operating environment for the Group's polyol chemical business continued to be challenging during the Year. The Group's research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to changing market needs. The management will continue to observe the market and take prudent approach before resuming its polyol chemical business.

BUSINESS REVIEW *(Continued)*

With respect to the corn sweeteners market, the domestic production of cane sugar (a substitute of corn sweeteners) dropped from 13.3 million MT to 10.5 million MT during the harvest for the year 2014/2015. Domestic sugar price rose to RMB5,373 per MT (2014: RMB4,350 per MT) by the end of the Year. Similar trend was found in the international sugar price which rose from 14.98 US cents per pound (equivalent to RMB2,047 per MT) by the end of 2014 to 15.24 US cents per pound (equivalent to RMB2,186 per MT) by the end of 2015. The increasing cost of cane sugar in contrast with the decreasing cost of corn kernels further widened the cost advantage of corn sweeteners. It is expected that customers will be increasingly attracted to substitute cane sugar with corn sweeteners under such circumstances.

As disclosed in the Company's announcement dated 30 August 2015, in order to, among others, improve its liquidity and to meet its ongoing working capital requirements, strengthen its capital position and equip the Group with the financial flexibility to achieve the Group's business objectives; and to bring in a controlling shareholder whose parent group has a strong background which will provide support to the Group and potentially lower the financing costs of the Group, the Company entered into a subscription agreement with Modern Agricultural Industry Investment Limited ("Modern Agricultural") pursuant to which Modern Agricultural conditionally agreed to subscribe (the "Subscription") at the Hong Kong dollar equivalent of RMB1,500,000,000 (the "Total Consideration") for: (i) an aggregate of 3,135,509,196 ordinary shares (the "Subscription Shares") that upon the subscription completion will represent approximately 49% of the issued shares of the Company as enlarged by the allotment and issue of the subscription shares; and (ii) the convertible bonds in the aggregate principal amount of the balance of the Total Consideration after subtracting therefrom the subscription monies for subscription shares, which may be converted into the conversion shares pursuant to the terms and conditions of the convertible bonds. As disclosed in the Company's announcement dated 15 October 2015, the completion of the Subscription took place on even date. At completion, 3,135,509,196 Subscription Shares at the issue price of HK$0.23 per Share and convertible bonds in the aggregate principal amount of HK$1,086,279,565, which may be converted into 4,722,954,631 ordinary shares based on the initial conversion price of HK$0.23 per Share upon full conversion, were issued by the Company to Modern Agricultural. Subsequently, Modern Agricultural became a controlling shareholder (as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company holding approximately 49% of the issued shares of the Company, and a new board of directors ("Directors") of the Company was formed. New members were also appointed to the management of the Group. The introduction and participation of the resourceful shareholder has synergistic effects in respect of strong financial support, enhanced relationship with bankers, favourable government policies and management capabilities.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2014 (the "2014 Financial Statements") had been subject to the disclaimer of opinions of Ernst & Young, the auditor of the Company's 2014 Financial Statements, on the basis as set out in the paragraph headed "Basis for disclaimer of opinion" in the independent auditor's report in the Company's annual report for the year ended 31 December 2014 ("2014 Annual Report"). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Management Response to the Independent Auditor's Report and Remedial Measures to be Taken" in the 2014 Annual Report and the paragraph headed "Update on Remedial Measures" in the Company's interim report for the six months ended 30 June 2015 ("2015 Interim Report"), the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken by the management.

In November 2015, the Company has engaged an independent internal control ("IC") expert ("IC Expert") to conduct a review on the Group's internal controls and systems ("IC Review"). The IC Review has been completed and the management of the Company has formed an IC team to implement the recommendations resulted from the IC Review.

1. Impairment of non-current assets

As detailed in the 2014 Annual Report, the Group had an aggregate amount of non-current assets of HK$8,200 million. In view of the losses sustained by the Group, the management was required to perform the necessary impairment assessment on the assets as at 31 December 2014. Since the management did not perform such assessment, Ernst & Young were not able to ascertain whether these assets have been impaired.

UPDATE ON REMEDIAL MEASURES *(Continued)*

1. Impairment of non-current assets *(Continued)*

During the audit of the consolidated financial statements of the Group for the year ended 31 December 2015 (the "2015 Financial Statements"), World Link CPA Limited, the external auditor (the "Auditor") of the Company was unable to form a view in the year ended 31 December 2014 on the appropriateness of the management's impairment estimation as the management has not performed impairment assessment on these assets. As at 31 December 2015, for certain plant and machinery with an aggregate net carrying amount of HK$1,194 million, an impairment assessment on the Group's property, plant and equipment was performed by the Directors based on the current market sentiment. As a result, impairment loss on property, plant and equipment of HK$359 million was recognised. However, the Auditor was unable to ascertain whether the impairment assessment conducted was adequate.

As disclosed in the Company's joint announcement with Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") dated 14 April 2016 (the "April Announcement"), members of the Group and the GSH Group will, subject to the approval of the respective shareholders of the Company and GSH enter into agreements for the disposal of certain pieces of land situated at the east side of Xihuancheng Road, Lu Yuan District, Changchun, the PRC, and buildings erected thereon. Subsequent to the realisation of this transaction, the Group and the GSH Group will receive an aggregate proceed of RMB2,200 million (equivalent to HK$2,619 million) which will be able to cover the impairment amount of the non-current assets concerned. As for the plant and machinery in the Group's lysine production facilities in Changchun Dahe Bio Technology Development Co., Ltd. ("Changchun Dahe"), Jilin Province, production has been resumed at full capacity since November 2015 and positive earning before interest, taxes, depreciation and amortisation has been recorded since December 2015. As such, the management is of the view that the impairment assessment performed for these non-current assets is sufficient.

The Directors will continue to perform impairment assessment from time to time including but not limited to engaging a professional valuer and performing cash flow forecast to ensure the non-current assets are stated at the lower of the carrying value or fair value less the cost of disposal and value in use.

2. Financial guarantee contracts

As detailed in the 2014 Annual Report, the fair value of certain guarantees ("Dajincang Financial Guarantees") issued by certain members of the Group to a bank (the "Lender Bank") in the PRC in connection with facilities granted to 長春大金倉玉米收儲有限公司ChangChun Dajincang Corn Procurement, Ltd. ("Dajincang"), a major supplier of corn kernels, was not recognised in the Group's financial statements for the year ended 31 December 2014.

Besides the remedial measures as detailed in the Company's 2015 Interim Report, the Company has engaged a professional valuer to perform an independent valuation of the Dajincang Financial Guarantees. However, the professional valuer could not proceed with the valuation as at the date of this annual report as Dajincang failed to provide reliable financial information to conduct an accurate valuation. Therefore, the fair value of the Dajincang Financial Guarantees was not recognised in the 2015 Financial Statements. The amount drawn down by Dajincang as at 31 December 2015 and up to the date of this annual report amounted to RMB2,490 million (approximately HK$2,972 million) (31 December 2014: RMB2,490 million).

UPDATE ON REMEDIAL MEASURES *(Continued)*

2. Financial guarantee contracts *(Continued)*

After the completion of the subscription on 15 October 2015, with the assistance of the new management, a negotiation process has been initiated between Dajincang, the Lender Bank, the Group and the GSH Group. The Lender Bank has expressed an intent to release the Group from the Dajincang Finance Guarantees by the end of 2016. In addition, the IC team is in the process of enhancing the current internal controls and system for the approval and reporting procedures of loans, guarantees and pledges of assets. Subsequent trainings based on the enhanced framework will be provided to all relevant staff.

3. Consolidation of foreign subsidiaries

During the Year, the Group has ceased its overseas businesses. With the departure of the local management personnel and staff members of two foreign subsidiaries of the Company, namely Global Bio-chem Technology Americas Inc. ("GBTA") and Global Bio-chem Technology Europe GmbH Inc. ("GBTE"), the Group's management was unable to fully retrieve the books and records of GBTA and GBTE to verify the correctness of the amounts consolidated for the Year. As a result, the Auditor was unable to determine any adjustments in the financial statements were necessary which may materially affect the financial performance of the Group.

GBTA and GBTE recorded revenue and net loss of approximately HK$100 million and HK$34 million for the Year representing 3.0% and 1.5% of the Group's revenue and net loss after tax. The total assets of GBTA and GBTE as of 31 December 2015 amounted to approximately HK$83 million representing 0.7% of the Group's total assets. Since GBTA and GBTE are in the process of voluntary liquidation and it is expected that the liquidation procedures will be completed before the end of year 2016 in which audited financial statements as of date of cessation will be ready for inspection. In the opinion of the Directors, GBTA and GBTE will not have any material financial impact on the Group's financial position at 31 December 2016.

4. Inventory losses

As detailed in the 2015 Interim Report, in respect of the impairment loss on and sales of substandard and inferior corn kernels and scrapped coal, the management has implemented control procedures to timely identify, quantify and dispose of substandard and inferior corn kernels and scrapped coal on a periodic basis with appropriate supporting control documents being properly kept in writing as audit trail. In respect of the abnormal wastage of corn kernels during production, the management has implemented additional control procedures requiring written records be kept for the quantity of the relevant corn kernels put into the production line, and any abnormal production yield and wastage should be timely investigated and properly accounted for.

Accordingly, impairment of inventories has been properly accounted for during the Year and no disclaimer opinion has been expressed by the Auditor in relation to the Group's impairment of inventories as at 31 December 2015. However, the Auditor was unable to express opinion in respect of inventory losses as at 31 December 2014 which may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Year.

UPDATE ON REMEDIAL MEASURES *(Continued)*

5. Inventories

As detailed in the 2014 Annual Report, certain corn kernels and coal were kept at nearby locations outside the Group's premises as at 31 December 2014. Since the management could not timely obtain the necessary written confirmations on the ownership of such corn kernels and coal, Ernst & Young were unable to confirm the Group's ownership of these inventories. And as detailed in the 2015 Interim Report, to avoid recurrence of similar incidences, the Group has adopted internal control procedures with standard not lower than those applicable to the inventories kept at the Group's own premises, including but not limited to keeping independent inventory records for inventories stored in all outside locations, including the transfers between such outside locations and its own warehouses, and obtaining monthly confirmations from external custodians of the Group's inventories.

As at 31 December 2015, the Group had items amounted to HK$44 million maintained at location outside of the Group's premises, which are principally packaged corn oil to be sold to the retail market that were kept in the retail spots and lysine products kept in warehouses close to the Group's product markets. With respect to the corn oil inventories kept in retail spots, the collection of written confirmations was satisfactory. For the lysine inventories kept in warehouses outside the Group's premises, the management was unable to obtain sufficient confirmations to remove the qualification this Year as the commercial disputes with certain warehouses have encumbered the collection process. The IC team is in the process of enhancing the current internal controls and systems with reference to the IC Expert report concerning the procedures to obtain monthly confirmations from external custodians of the Group's inventories.

6. Prepayment and other receivables

As detailed in the 2014 Annual Report, receivables arisen from prepayment and certain returned corn kernels to Dajincang by the Group in December 2014 remained outstanding as at 31 December 2014. As at 31 December 2015, the outstanding receivable from Dajincang amounted to approximately HK$756 million (31 December 2014: HK$793 million).

As disclosed in the April Announcement, members of the Group and the GSH Group will, subject to the approval of the respective shareholders of the Company and GSH, enter into agreements for the disposal of certain prepayments made by members of the Group or the GSH Group, trade and other receivables owed to members of the Group or the GSH Group, or inventories and tools of the Group. Full provision for impairment has been made for the receivable from Dajincang, which represented an approximately 30%-discount to the aggregate unaudited book value before impairment of the such assets as at 31 December 2015. As a result, the recoverability of the receivable from Dajincang has been properly assessed and appropriate amount of impairment has been provided thereto, no disclaimer opinion has been expressed by the Auditor in relation to the receivable from Dajincang as at 31 December 2015.

UPDATE ON REMEDIAL MEASURES *(Continued)*

7. Accounts payable

As detailed in the 2014 Annual Report, during the audit process for the year ended 31 December 2014, the management noted a low response rate of accounts payable confirmations received by Ernst & Young. During the Year, the response rate of trade payable confirmations was satisfactory. As a result, no disclaimer opinion has been expressed by the Auditor in respect of the trade payables as at 31 December 2015. However, the Auditor was unable to determine whether any adjustments to the trade payables at 31 December 2014 were necessary, which may have a significant impact on the Group's net assets as at 1 January 2015 and its loss for the year.

8. Litigation

As explained in note 40 to the 2014 Financial Statements, the Company and certain subsidiaries of the Company were involved in litigation relating to certain infringed patents. During the year 2014, a judgment was concluded by the court that the Company and these subsidiaries were in violation of an injunction and a penalty was imposed. The Group was 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 Hong Kong Accounting Standards 37 Provision, Contingent Liabilities and Contingent Assets.

Based on the assessment of the management, sufficient provision has been made to cover the obligations in relation to the litigation. As a result, no disclaimer opinion has been expressed by the Auditor in relation to the litigation as at 31 December 2015.

9. Impairment of investment in subsidiaries and amounts due from subsidiaries

As detailed in the 2014 Annual Report, due to significant losses sustained by the subsidiaries of the Company, Ernst & Young were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the Directors' impairment estimation for the year ended 31 December 2014. For the preparation of 2015 Financial Statements, the management has performed impairment assessment, the methodology of which was accepted by the Auditor, on the recoverable values of the investments in subsidiaries and amounts due from subsidiaries as at 31 December 2015.

In respect of the financial guarantee contracts of the Company, a professional valuer has been engaged to perform an independent valuation of the fair value of the financial guarantee contracts provided by the Company as at 31 December 2014 and 31 December 2015. Accordingly, no disclaimer opinion has been expressed by the Auditor in relation to the investments in subsidiaries, amounts due from subsidiaries, financial guarantee contracts and reserves appeared in the Company's statement of financial position as at 31 December 2015 in this annual report.

UPDATE ON REMEDIAL MEASURES *(Continued)*

10. Fundamental uncertainties relating to going concern

As detailed in the 2014 Annual Report, Ernst & Young have raised fundamental uncertainties relating to going concern of the Group. The management would like to take this opportunity to provide the below information on the Group's financial and operating plans which form the primary basis that the Directors considered that the Group will be able to continue as a going concern in the foreseeable future.

While continuous efforts will be dedicated to lower production cost, the Group's research and development team is proactively looking for opportunities to develop other amino acids products complementary to the current mix of amino acids of the Group. The management believes this will enhance the competitiveness of the Group in the long run as it offers higher flexibility for the Group to respond to market changes and at the same time offer wider choices and better services to its current customers.

On the other hand, subsequent to the Subscription, the liquidity of the GBT Group has been improved. The completion of the Subscription has given a significant boost to the Group and particularly the Group's subsidiaries in Jilin Province for processing the extension of the current banking facilities to ensure the continuity of the operation in Changchun.

Reference is also made to the April Announcement, regarding the proposed disposal of certain pieces of land situated at the east side of Xihuancheng Road, Lu Yuan District, Changchun, the PRC, and buildings erected thereon, and certain prepayments made by members of the Group or the GSH Group, trade and other receivables owed to members of the Group or the GSH Group, or inventories and tools of the Group, by the respective members of the Group or the GSH Group. If such proposed transactions are materialised, the Group and the GSH Group will receive proceeds of RMB2,200 million (equivalent to HK$2,619 million) in aggregate from the sales of the relevant lands and buildings; and RMB845 million (equivalent to HK$1,006 million) in aggregate from the sales of accounts receivable, inventories and tools. The proceeds to be received will improve the Group's liquidity.

After the completion of the Subscription on 15 October 2015, with the assistance of the new management, a negotiation process has been initiated between Dajincang, the Lender Bank, the Group and the GSH Group. The Lender Bank has expressed an intent to release the Group from the Dajincang Finance Guarantees by the end of 2016. The financial position would be improved after the cancellation of financial guarantees.

The Group has also received confirmation from the ultimate beneficial owner of a major shareholder of the Company that it will provide financial support to the Group for its operation on a going concern basis and undertake all liabilities that may arise from the Dajincang Financial Guarantee. Such assistance received by the Group is not secured by any assets of the Group.

After taking into consideration of the above strategic actions of the Group, the disclaimer of opinion resulting from the material uncertainties relating to going concern has been removed. Instead, an emphasis of matter was stated by the Auditor for the Year.

FINANCIAL PERFORMANCE

The Group's consolidated revenue for the Year decreased by approximately 47.6% to approximately HK$3,352 million (2014: HK$6,399 million). Despite this, the Group recorded a gross loss of HK$259 million (2014: HK$890 million) during the Year. Net loss attributable to shareholders for the Year amounted to approximately HK$1,996 million (2014 as restated: HK$3,365 million). The net loss was mainly attributable to the low utilisation rate of the Group's production facilities as a result of the poor operating environment for the upstream corn refined products and lysine and the suspension of the Group's production facilities in Changchun during the Year. Consequently, the Group's unit production costs remained high during the Year. Combined with the weak market selling prices of the Group's products, the performance of the Group for the Year was put under pressure.

Upstream products

(Sales amount: HK$1,609 million (2014 as restated: HK$2,675 million))
(Gross loss: HK$170 million (2014 as restated: HK$582 million))

During the Year, the revenue and gross loss of upstream products amounted to approximately HK$1,609 million and HK$170 million (2014: HK$2,675 million and HK$582 million) respectively.

During the Year, the sales volume of corn starch and other corn refined products were approximately 260,000 MT (2014: 429,000 MT) and 347,000 MT (2014: 433,000 MT) respectively. Internal consumption of corn starch was approximately 417,000 MT (2014: 253,000 MT), which was mainly used as raw material for the Group's downstream production.

The average selling prices of corn starch decreased by approximately 6.6% to HK$3,005 per MT (2014: HK$3,219 per MT) while other corn refined products decreased by approximately 20.2% to HK$2,385 per MT (2014: HK$2,990 per MT) during the Year. As the average selling prices of corn starch and corn refined products decreased during the Year, the corn starch segment recorded a gross loss margin of approximately 4.2% (2014: 19.5%) while other corn refined products segment recorded a gross loss margin of approximately 16.6% (2014: 24.1%) as a result of the weak average selling prices during the Year.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Year and is expected to continue in 2016. However, since the completion of the Subscription, the synergy from the participation of resourceful shareholders have gradually taken effect. The Group's operation in Jilin province has been benefited from the agricultural subsidies from provincial government for every MT of corn purchased in Jilin Province which substantially lowered the Group's corn purchasing cost. Despite the challenging operating environment of the upstream business, the Group's upstream operation serves as a feedstock for its downstream operation which has strategic value to the Group's overall operation. The management will continue its prudent approach in optimising its facilities utilisation in order to maintain healthy cash flows of the Company.

FINANCIAL PERFORMANCE *(Continued)*

Amino acids

(Revenue: HK$882 million (2014 as restated: HK$2,175 million))
(Gross loss: HK$210 million (2014 as restated: HK$270 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Year, overcapacity of lysine products in the PRC as well as globally has posed pressure on the average selling price of lysine and protein lysine. The market selling prices of lysine and protein lysine dropped to RMB7,270 per MT and RMB4,200 per MT respectively in early November 2015 — the lowest of the Year. Slowdown in the PRC economy has weakened demand and led to conservative buying behaviours. As such, the Group has optimised operation and lowered the facilities utilisation of the lysine product series. As a result, revenue of this segment dropped by 59.5% to approximately HK$882 million (2014: HK$2,175 million), representing 26.3% (2014: 34.0%) of the Group's revenue. Due to low utilisation rate, unit production cost increased significantly, leading to gross loss of approximately HK$210 million (2014: HK$270 million) with a gross loss margin of 23.8% (2014: 12.4%).

While the lysine market in the PRC has been undergoing consolidation, the management took this opportunity to revamp and upgrade its production facilities to lower energy consumption and increase production efficiency. Shortly after the completion of the Subscription, the Group has resumed production of its lysine product series at full capacity in November 2015. Benefiting from the cost savings resulting from the facility upgrade, the Group's amino acids segment has recorded gross profit since December 2015.

As the market of lysine products gradually consolidates, there are signs of slow recovery of the lysine market. While continuous efforts will be dedicated to lower production cost, the Group's research and development team is proactively looking for opportunities to develop other amino acids products complementary to the current product mix of the Group. The management believes this will provide flexibility and alternatives to current production facilities to enable to Group to respond to market changes; and at the same time, enable the Group to offer wider choices and better services to its current customers.

Polyol chemicals

(Revenue: HK$60 million (2014 as restated: HK$153 million))
(Gross profit: HK$17 million (2014 as restated: Gross loss: HK$168 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, anti-freeze products, hydrogen and ammonia. Due to the poor market condition of the chemical industry and the weak market prices of chemical products since 2013, the Group has suspended most of its polyol chemicals production since March 2014. During the Year, the Group produced and sold a small amount of anti-freeze products and at the same time, continued to sell its polyol chemicals inventory.

As a result, the polyol chemicals segment has recorded revenue of approximately HK$60 million (2014: HK$153 million). In light of the market condition of polyol chemicals, a provision of approximately HK$173 million in relation to the closing inventories of polyol chemicals has been made in 2014 while HK$250 million of provision has been reversed during the Year. Consequently, the polyol chemicals segment recorded gross profit of approximately HK$17 million (2014: Gross loss: HK$168 million), with a gross profit margin of 27.7% (2014: gross loss margin of 109.2%) during the Year.

The Group's ammonia production has been suspended since March 2014. As such, no revenue (2014: HK$31 million) nor gross profit or loss (2014: Gross loss: HK$19 million) were recorded during the Year.

FINANCIAL PERFORMANCE *(Continued)*

Corn sweeteners

(Revenue: HK$801 million (2014 as restated: HK$1,396 million))
(Gross profit: HK$105 million (2014 as restated: HK$130 million))

The corn sweeteners segment consists of corn syrup and corn syrup solid, and is operated by the GSH Group.

The operating environment of corn sweeteners was depressed by overcapacity and high raw material cost during the Year. Consequently, sales volume of corn sweeteners dropped by approximately 42.0% to 229,000 MT (2014: 395,000 MT) and revenue decreased by approximately 42.6% to HK$801 million (2014: HK$1,396 million). Despite the challenging market condition, the corn sweeteners segment still recorded gross profit of approximately HK$105 million (2014: HK$130 million) during the Year, with a gross profit margin of 13.1% (2014: 9.3%).

While domestic and international sugar prices increased as a result of lower production volume for the 2014/15 harvest; and corn price in China dropped as a result of sluggish demand, the cost advantage of corn sweeteners is made more prominent. It is expected that customers will be increasingly convinced to switch from cane sugar to corn sweeteners as a result.

Export Sales

During the Year, the Group generated revenue of approximately HK$570 million (2014: HK$1,213 million) from export sales, which accounted for approximately 17.0% (2014: 19.0%) of the Group's total revenue, representing an decrease of approximately HK$643 million or approximately 53.0% as compared with last year. Such decrease was attributable to the relatively high corn cost in the PRC compared to international corn price and the appreciation of RMB against other currencies during the Year.

Operating expenses, finance costs and income tax

Selling and distribution expenses

During the Year, the selling and distribution expenses accounted for 5.3% (2014: 8.6%) of the Group's revenue, representing a decrease of 67.8% to approximately HK$177 million (2014: HK$551 million). Such decrease was mainly attributable to the decrease in sales.

Administrative expenses

During the Year, administrative expenses dropped to approximately HK$383 million (2014 as restated: HK$405 million), representing 11.4% (2014 as restated: 6.3%) of the Group's revenue. Such decrease was mainly attributable to scale down of Changchun operations of the Group since first half of 2015.

Other expenses

During the Year, other expenses of the Group decreased to approximately HK$1,069 million (2014 as restated: HK$1,664 million) which included provision for doubtful debt amounted to HK$87 million, impairment of goodwill amounted to HK$106 million, and expenses reallocated from cost of sales due to idle capacity of the Changchun production facilities of the Group amounted to HK$438 million.

FINANCIAL PERFORMANCE *(Continued)*

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

Finance costs

During the Year, finance costs of the Group decreased to approximately HK$516 million (2014: HK$628 million) which was a result of the reduction in the interest rate in Changchun to approximately 6.0% (2014: 8.4%).

Income tax

Although the Group recorded a net loss during the Year, certain subsidiaries in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expense amounted to approximately HK$5 million was recognised (2014: HK$58 million).

Loss shared by non-controlling shareholders

During the Year, GSH recorded a loss of approximately HK$754 million (2014: HK$1,093 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$275 million (2014: HK$400 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2015 decreased by approximately HK$534 million to approximately HK$8,157 million (31 December 2014: HK$8,691 million). After the completion of Subscription on 15 October 2015, the cash and cash equivalents and pledged deposits increased by approximately HK$865 million to approximately HK$1,614 million (31 December 2014: HK$749 million). As a result, the net borrowings has been reduced to approximately HK$6,543 million (31 December 2014: HK$7,942 million).

Structure of interest-bearing borrowings

As at 31 December 2015, the Group's interest-bearing borrowings amounted to approximately HK$8,157 million (31 December 2014: HK$8,691 million), of which approximately 0.3% (31 December 2014: 1.0%) were denominated in Hong Kong dollars or US dollars while the remaining (31 December 2014: 99.0%) were denominated in Renminbi. The average interest rate during the Year was approximately 6.0% (2014: 8.4%).

The percentage of interest-bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were 56.3%, 43.6% and 0.1% (31 December 2014: 69.1%, 26.8% and 4.1%), respectively.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Convertible bonds

Subsequent to the completion of the Subscription, convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$1,086,279,565 (the "CB Consideration") which may be converted into 4,722,954,631 conversion shares of the Company (the "Conversion Shares") based on the initial conversion price of HK$0.23 (subject to adjustment) per share (the "Initial Conversion Price") upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Under the subscription agreement with Modern Agricultural, Modern Agricultural shall have the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the Conversion Shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the Shares shall not be less than 25% or any given percentage as required by the Listing Rules. No conversion right has been exercised by Modern Agricultural as at the date of this report.

At 31 December 2015, the Convertible Bonds was divided into liability component and equity component which amounted to HK$795,695,000 and HK$290,585,000 respectively. After taking into account the effective imputed interest charged of HK$10,396,000, the total liability component included in non-current liability amounted to HK$806,091,000.

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 decreased to approximately 48 days (31 December 2014: 57 days) due to the strengthened control on credit terms after the completion of Subscription in October 2015. Meanwhile, the trade creditor's turnover days increased to approximately 177 days (31 December 2014: 106 days) during the Year. The increase in the turnover days was mainly attributable to the tightening of cash flow management before October 2015. The Group is now actively negotiating with creditors on repayment plans mutually-agreed among the parties. As a result of the ramping up of the Group's operation after the completion of the Subscription in October 2015, the raw materials inventory increased by 110%, thus the inventory turnover days increased to 74 days (31 December 2014: 40 days).

Due to the increase in cash and cash equivalents after the completion of the Subscription in October 2015 which amounted to HK$1,807 million, the current ratio and the quick ratio of the Group improved to approximately 0.7 (31 December 2014: 0.4) and 0.6 (31 December 2014: 0.4) respectively. Although the completion of Subscription has brought in HK$1,807 million cash to the Group, the Group has recorded a loss of HK$2,271 million during the Year, leading to the drop in the Group's net asset value to HK$24 million. As a result, gearing ratio in term of net debts (i.e. net balance between interest-bearing borrowings and cash and cash equivalents plus pledged deposits) to total equity (aggregate total of shareholders equity and non-controlling interest) was 27,174.2% (31 December 2014: 635.0%). To improve the financial position of the Group, the Company has adopted several strategic actions as mentioned in paragraph 10 under the section headed "Update on Remedial Measures" of this annual report.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Foreign exchange exposure

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

LITIGATIONS

As at the date of this annual 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.

Infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") and the previous judgment concerning EP '710, and EP 0.733.712 (entitled "Process for Producing Substance") ("EP '712"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

As disclosed in the Company's announcement dated 7 August 2015, the relevant courts in the Netherlands ruled that the Relevant Group Members had infringed three European patents, namely EP 0.733.710 (entitled "Process for Producing L-Lysine by Fermentation"), EP 0.733.712 (entitled "Process for Producing a Substance"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine"), registered in the name of the Plaintiffs by virtue of the offer for sale, import, and/or trading of the Relevant Group Members' L-lysine products in the Netherlands.

The Relevant Group Members had received a demand from the legal advisers of the Plaintiffs for damages of over 2.2 million Euros (the "Claimed Damages") in respect of the infringement. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages was not settled by the Relevant Group Members. It was expected that the Plaintiffs would initiate damages assessment proceedings for assessment of the Claimed Damages. The Plaintiffs have submitted the writ of summons regarding the follow-up proceedings damages assessment to the Court in the Hague, the Netherlands (the "Court") in March 2016. The first hearing is scheduled to be held in June 2016.

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

As disclosed in the Company's announcement dated 18 September 2014, the Relevant Group Members received a judgment dated 10 September 2014 whereby the Court has rejected all the Plaintiffs' claim in respect of an alleged infringement of EP '318 by the Relevant Group Members and has allowed part of the counterclaim made by the Relevant Group Members.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiffs are rejected and the Plaintiffs' are ordered to pay the legal costs of the Relevant Group Members amounted to 90,387.05 Euro which payment is immediately enforceable. The Court has also allowed part of the counterclaim made by the Relevant Group Members whereby part of the subject matter of the relevant patent is nullified and the Plaintiff and the Relevant Group Members shall bear their own legal costs in respect of the counterclaim. The Plaintiffs have made an appeal to the Court of Appeal in respect of the judgment. The Relevant Group Members was informed that the decision by the Court of Appeal will be available in May 2016.

IMPORTANT TRANSACTIONS

Completion of the Subscription

As disclosed in the Company's announcement dated 30 August 2015, the Company entered into a subscription agreement with Modern Agricultural pursuant to which Modern Agricultural conditionally agreed to the Subscription. As disclosed in the Company's announcement dated 15 October 2015, the completion of the Subscription took place on even date. Subsequently, Modern Agricultural became the controlling shareholder of the Company holding approximately 49% of the issued shares of the Company, and a new board of Directors was formed. New members were also appointed to the management of the Group.

Equipment leasing

Reference is made to the 2015 Interim Reports. On 5 August 2015, the management was notified that a subsidiary of the Company, Changchun GBT Bio-Chemical Co., Ltd. ("GBT Bio-Chemical") had entered into an equipment leasing agreement (the "Lease") with the Finance Bureau of Changchun (長春市財政局) for the lease of certain machineries and equipment on 30 December 2014, the terms of the lease are 20 years with the total lease fee amounted to approximately RMB672 million. The aforesaid assets are related to those assets with the resumption amount of RMB560 million mentioned in an announcement of the Company dated 7 May 2014 titled "Major transaction in relation to resumption of buildings, machineries and fixtures". The Group has not assessed and recognised the operating lease expenses in respect of the Lease in its financial statements for the years ended 31 December 2014 and 2015.

The Lease had been unilaterally terminated by GBT Bio-Chemical on 15 March 2016. Taken into account the PRC legal advice sought by the board ("Board") of Directors and the ongoing communication with the Finance Bureau of Changchun in relation to the termination of Lease, the Board considers that the chance of litigation is remote. As of the date of this annual report, no assessment has been made on the possible damages for the termination of the Lease.

Proposed disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools by the Group and the GSH Group

Reference is made to the April Announcement, in relation to, among others, the proposed disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools by the Group and the GSH Group. As detailed in the April Announcement, pursuant to a property disposal agreement ("First Property Disposal Agreement"), certain subsidiaries of the Group have conditionally agreed to sell, and 吉林省太陽神建築工程有限公司(Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Purchaser") has conditionally agreed to purchase, the seven pieces of land situated at the east side of Xuhuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at the aggregate cash consideration of RMB1,641,610,000. Pursuant to another property disposal agreement ("Second Property Disposal Agreement", together with the First Property Disposal Agreement, the "Property Disposal Agreements"), certain subsidiaries of the GSH Group have also conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the five pieces of land situated at the east side of Xuhuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at the aggregate cash consideration of RMB558,390,000.

IMPORTANT TRANSACTIONS *(Continued)*

Proposed disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools by the Group and the GSH Group *(Continued)*

In addition, pursuant to an asset disposal agreement ("First Asset Disposal Agreement"), certain subsidiaries of the Group have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the prepayments made by, the trade and other receivables owed to, or the inventories and tools, including coal, production materials, packaging materials and tools for production of polyol chemicals owned by certain subsidiaries of the Group at the aggregate cash consideration of RMB673,106,000. Pursuant to another asset disposal agreement ("Second Asset Disposal Agreement", together with the First Asset Disposal Agreement, the "Asset Disposal Agreements"), certain subsidiaries of the GSH Group have also conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the prepayments made by or the trade and other receivables owed to certain subsidiaries of the GSH Group at the aggregate cash consideration of RMB171,526,000.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the disposals under the Property Disposal Agreements and the Asset Disposal Agreements (on an aggregated basis) exceeds 75% for the Company, the Property Disposal Agreements, the Asset Disposal Agreements and the respective transactions contemplated thereunder constitute very substantial disposals for the Company that is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the disposals under the Second Property Disposal Agreement and the Second Asset Disposal Agreement exceeds 75% for GSH, the Second Property Disposal Agreement, the Second Asset Disposal Agreement and the respective transactions contemplated thereunder constitute very substantial disposals for GSH that is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Shareholders of the Company and potential investors are advised to read the April Announcement or any relevant subsequent announcements/ circular of the Company for more information in this connection.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market position, diversify its product range and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will take opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

FUTURE PLANS AND PROSPECTS *(Continued)*

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products. To realise this objective, the Group's research and development centre is currently working on a series of product development projects. The Board will optimise its risk/return decision with respect to capital expenditure and will take a prudent approach in relation to capacity expansion.

During the Year, the Company has issued shares and convertible bonds for a total consideration of RMB1,500,000,000 to a new shareholder. With respect to the strengthened financial position of the Group, the management will endeavor to overcome the challenges and adopt a prudent approach in face of the current market condition.

As disclosed in the April Announcement, it is proposed that GBT has entered into the First Property Disposal Agreement and the First Asset Disposal Agreement; and GSH has entered into the Second Property Disposal Agreement and the Second Asset Disposal Agreement with the Purchaser. Subject to the materialisation of the transactions, it is expected that new capital will be brought to both the Group and the GSH Group. The proceeds of these transactions will finance the relocation of the production facilities to Xinglongshan, resumption of the suspended operations, working capital and future development of both groups.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2015, the Group had approximately 5,600 (2014: 5,900) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

EXECUTIVE DIRECTORS

Ms. Wang Qiu, aged 39, was appointed as an executive Director on 15 October 2015 and the chairman of the Board on 24 October 2015. She is also the deputy general manager and the chief financial officer of 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou"), being the controlling shareholder and the holder of the convertible bonds issued by the Company, chairman of the supervisory board of Jilin Changjitu Development Construction and Modern Agriculture Investment Co., Ltd. (吉林省長吉圖開發建設現代農業投資有限公司) and general manager of Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司). Ms. Wang had held various positions in Jilin Province Communication Investment and Development Company (吉林省交通投資開發公司) from July 1999 to November 2012, including as the financial accountant, head of the Finance Department, chief accountant and assistant to the general manager. Ms. Wang holds a Bachelor of Laws degree and a Master of Laws degree from Changchun Tax College, and a PhD degree in economics from Jilin University. Ms. Wang holds the qualification of senior auditor and the qualification of senior accountant.

Mr. Wang Jian, aged 42, was appointed as an executive Director on 15 October 2015 and a director of various subsidiaries of the Company. He is also the deputy general manager of Jiaotou. Mr. Wang had held various positions in Jilin Province Communication Investment and Development Company (吉林省交通投資開發公司) from 1996 to 2012, including as the deputy head of the Corporate Planning Department, deputy director of the General Office, deputy director of the Office of the Party Committee and head of Asset Operation Department. Mr. Wang holds a Bachelor degree in economics from Jilin University. Mr. Wang is also an executive director, chairman and chief executive officer of GSH, a non-wholly owned subsidiary of the Company whose shares are listed on the main board of The Stock Exchange.

Mr. Li Shuguang, aged 53, was appointed as an executive Director on 15 October 2015 and appointed as the deputy chief executive officer of the Company on 24 October 2015. Mr. Li is a director of various subsidiaries of the Company. He is the deputy secretary of the Party Committee and the secretary of discipline inspection commission of Jiaotou. Mr. Li holds a Master of Laws degree from Jilin University.

Ms. Liu Fang, aged 43, was appointed as an executive Director on 15 October 2015, the chief financial officer of the Company and director of various subsidiaries of the Company. She is the assistant to the general manager and head of the Finance Department of Jiaotou. Ms. Liu had held various positions from August 1998 to November 2012, including as cashier of Jilin Province Communication Investment and Development Company (吉林省交通投資開發公司) and accountant in charge of Jiaotou. Ms. Liu holds a Bachelor of Economy degree from Changchun Tax College and a Master of Accounting degree from Jilin University. Ms. Liu holds the qualification of senior accountant.

NON-EXECUTIVE DIRECTORS

Mr. Qiu Zhuang, aged 59, was appointed as a non-executive Director on 15 October 2015. He is also the secretary of the Party Committee and the chairman of Jiaotou. Mr. Qiu had held various positions in Jilin Province Communication Investment and Development Company (吉林省交通投資開發公司) from April 1994 to December 2011, including as the deputy general manager, general manager and chairman. Mr. Qiu graduated from Jilin Province Communication School in July 1975. Mr. Qiu holds the qualification of senior economist.

Mr. Xing Lizhu, aged 41, was appointed as a non-executive Director on 15 October 2015. He is also the assistant to the general manager and director of the General Office of Jiaotou. Mr. Xing had held various positions from April 2003 to November 2012, including as deputy head, head and secretary of the sub-division of Party Committee of Changan Toll Station of Jiaotou. Mr. Xing graduated from Changchun Tax College, majoring in accounting, in December 1997. Mr. Xing holds the qualification of senior accountant.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Lai Ling, Shirley, aged 53, was appointed as independent non-executive Director on 16 March 2016. Ms. Chiu obtained a bachelor of science degree in business administration with accounting option in the United States of America ("USA") in 1986, and became a qualified public accountant in California, the USA in 1989. Ms. Chiu has extensive experience in fields of accounting and finance, and has over 28 years of working experience in the financial industry (corporate finance, securities sales, corporate sales and wealth management). Currently Ms. Chiu is an inactive member of the Certified Public Accountant of the California Board of Accountancy.

Mr. Ng Kwok Pong, aged 43, 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.

Mr. Yeung Kit Lam, aged 53, was appointed as independent non-executive Director on 23 April 2015. Mr. Yeung is a practicing solicitor of Hong Kong. He obtained a bachelor degree in social sciences majoring in economics from the University of Hong Kong in 1985. He was awarded with the postgraduate certificate in laws by the University of Hong Kong in 1992, and was admitted as a solicitor of the High Court of Hong Kong in 1994. He also obtained a bachelor degree in laws from Peking University in 2001. Mr. Yeung is currently the consultant of Messrs. Ng, Lie, Lai & Chan, a firm of solicitors and notaries in Hong Kong. Mr. Yeung has over 20 years of post-qualification experience in the legal field, and has various experiences in litigation and commercial practices.

SENIOR MANAGEMENT

Mr. Kong Zhanpeng, aged 52, was appointed as the chief executive officer of the Company on 24 October 2015. Mr. Kong is one of the founders of the Company and was an executive Director. He is currently an executive director of GSH, and directors of various subsidiaries of GSH. He has over 19 years of extensive experience in industry and corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

Mr. Lee Chi Yung, aged 41, was appointed as the company secretary and the financial controller of the Company on 15 October 2015 and on 24 October 2015 respectively. Mr. Lee has over 15 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. He graduated from the City University of Hong Kong with a Bachelor's degree with honors in accountancy in 1996. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in September 2000 and then the GSH group in August 2007. Mr. Lee was an executive director of GSH from December 2009 to October 2015. Mr. Lee is also the company secretary and the financial controller of GSH.

Mr. Zhu Lalin, aged 53, was appointed as the deputy chief executive officer of the Company on 24 October 2015 and 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.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders of the Company and devotes considerable effort in identifying and formalising best practices. The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, save as disclosed below, the Company has complied with all code provisions as laid down in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the Year.

During the year under review, Mr. Li Defa resigned as an independent non-executive Director with effect from 5 February 2015 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 (the "Audit Committee"). Following Mr. Li's resignation, the Company had only two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under the Listing Rules. The Company subsequently appointed Mr. Yeung Kit Lam as an independent non-executive Director and a member of the Audit Committee on 23 April 2015.

In addition, Mr. Chan Chi Wai, Benny resigned as an independent non-executive Director with effect from 28 December 2015 as he wished to focus on other business and personal affairs. Following his resignation as an independent non-executive Director, Mr. Chan also ceased to act as, among others, a member and the chairman of the Audit Committee. Following Mr. Chan's resignation, the Company had only two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under the Listing Rules and the chairman of the Audit Committee is yet to be appointed as required under the Listing Rules. The Company subsequently appointed Ms. Chiu Lai Ling, Shirley as an independent non-executive Director and, among others, a member of the Audit Committee and re-designated Mr. Ng Kwok Pong as the chairman of the Audit Committee on 16 March 2016.

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the code of conduct of the Company and the Model Code throughout the year under review.

BOARD OF DIRECTORS

The number of meetings and attendance by Board members during the Year are set out in the table below:

	Meetings held and Attended							
Name of Directors	Board Meeting	Written Board Resolution	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Corporate Governance Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors								
Wang Qiu *(note 5)*	3/4	1/1		2/2			N/A	N/A
Wang Jian *(note 5)*	4/4	1/1			2/2		N/A	N/A
Li Shuguang *(note 5)*	3/4	1/1					N/A	N/A
Liu Fang *(note 5)*	4/4	1/1				1/1	N/A	N/A
Liu Xiaoming *(note 5)*	6/6	4/4		4/4	3/3		1/1	1/1
Xu Ziyi *(note 5)*	6/6	4/4					0/1	1/1
Li Weigang *(note 5)*	3/6	4/4					0/1	0/1
Wang Yongan *(note 5)*	6/6	4/4					0/1	1/1
Ji Jianping *(note 3 and note 5)*	6/6	1/1					1/1	1/1
Cheung Chek Fung *(note 4 and note 5)*	5/5	N/A					1/1	1/1
Non-Executive Directors								
Qiu Zhuang *(note 5)*	3/4	1/1					N/A	N/A
Xing Lizhu *(note 5)*	3/4	1/1					N/A	N/A
Independent Non-Executive Directors								
Ng Kwok Pong *(note 2)*	6/6	4/4	3/4	6/6	5/5	1/1	1/1	1/1
Yeung Kit Lam *(note 4)*	5/5	1/1	3/3				1/1	0/1
Lee Yuen Kwong *(note 2)*	N/A	1/1	N/A				N/A	N/A
Li Defa *(note 1)*	N/A	N/A	N/A				N/A	N/A
Chan Chi Wai, Benny *(note 2 and note 6)*	6/6	4/4	4/4	5/5	4/4		0/1	0/1
Chan Man Hon *(note 2)*	N/A	1/1	N/A				N/A	N/A

Notes:

1. Mr. Li Defa has resigned as independent non-executive Director on 5 February 2015.
2. Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric have resigned as independent non-executive Directors on 27 February 2015 and 28 February 2015 respectively. And Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong have been appointed as independent non-executive Directors on 1 March 2015.
3. Mr. Ji Jianping has been appointed as executive Director on 12 March 2015.
4. Mr. Cheung Chak Fung has been appointed as executive Director and Mr. Yeung Kit Lam has been appointed as independent non-executive Director on 23 April 2015.
5. Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Li Weigang, Mr. Wang Yongan, Mr. Ji Jianping and Mr. Cheung Chak Fung have resigned as executive Directors on 15 October 2015. Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang and Ms. Liu Fang have been appointed as executive Directors on 15 October 2015. Mr. Qiu Zhuang and Mr. Xing Lizhu have been appointed as non-executive Directors on 15 October 2015.
6. Mr. Chan Chi Wai, Benny has resigned as independent non-executive Director on 28 December 2015.

BOARD OF DIRECTORS *(Continued)*

As of the date of this report, following the appointment of Ms. Chiu Lai Ling, Shirley as an independent non-executive Director of the Company, the Board comprises nine Directors, being four executive Directors, two non-executive Directors and three independent non-executive Directors. There is no relationship (including financial, business, family or other material/ relevant relationship) between any of the Directors. Details of the biographies of individual Directors and their range of specialist experience and expertise are set out on page 22 to page 23 of this report.

The Company believes its independent non-executive Directors comprise a synergy of financial management, accounting and legal experts. The Board believes such composition is ideally qualified to advise the management team on future strategic development, financial and other statutory requirements, and to guard shareholders' interest. 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/her independence. As of the date of this report, the Board considers all independent non-executive Directors to be independent.

Board diversity

The Company recognises and embraces the benefits of building a diverse and inclusive Board, and agrees to increase diversity at Board level continuously, in order to achieve and maintain a sustainable development and a competitive advantage.

Board diversity has been considered from a range of diversity perspectives, including but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. These aspects will be considered in determining the optimum composition of the Board and should be balanced appropriately when possible and necessary.

Underpinned by meritocracy, all Board appointments will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

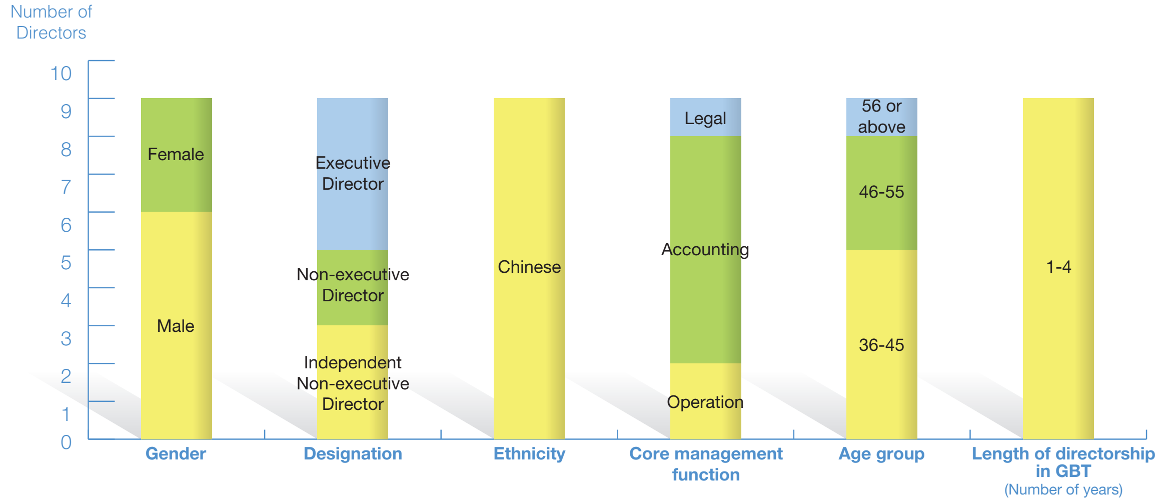
The Board annually discusses and establishes measurable objectives for achieving diversity on the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

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/she is specialised in; and (e) a prescribed proportion of Board members shall have China-related work experience. Based on its review, the nomination committee of the Company (the "Nomination Committee") considers that the Company has achieved the measurable objectives set for implementing the board diversity policy of the Company.

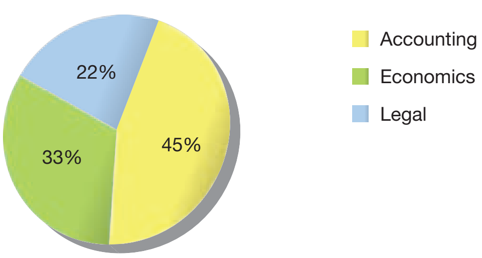
BOARD OF DIRECTORS *(Continued)*

Board diversity *(Continued)*

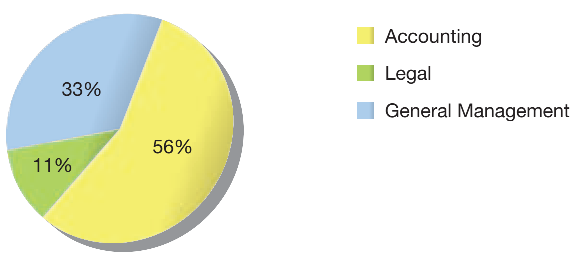
Up to the date of this report, composition of the Board is disclosed as below:



ACADEMIC BACKGROUND



BUSINESS EXPERIENCE



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 have been taken to ensure the Board receives all necessary and up to standard information in a timely manner in order to effectively 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. Topics discussed at these quarterly Board meetings include: overall strategies; enterprise risk management and internal control; 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 the respective meeting. All Board members have access to the advice and services of the company secretary. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

BOARD OF DIRECTORS *(Continued)*

Board diversity *(Continued)*

All new Directors, if any, will be briefed about their 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 discharge their duties in a more effective manner. Ms. Chiu Lai Ling Shirley has taken the relevant director's training on 22 March 2016 after her appointment.

In accordance with the articles of association of the Company ("Articles of Association"), every member of the Board shall retire by rotation at the annual general meeting of the Company at least once every three years. The retiring Directors shall be eligible for re-election at the same annual general meeting.

Directors' Training

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, the Company has arranged each of the Directors to attend a training seminar regarding the duties, responsibilities and obligations as a director of a listed company and requirements of the Listing Rules provided by the legal advisers of the Company as to Hong Kong laws.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive of the Company are separate and exercised by different Directors. Ms. Wang Qiu is the Chairman of the Company and is mainly responsible for providing leadership and directions to the Board. Mr. Kong Zhanpeng is the Chief Executive Officer of the Group, and is responsible for overseeing the Group's operation management and product development.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

During the year under review, the independent non-executive Directors Mr. Chan Chi Wai, Benny was resigned on 28 December 2015. Mr. Ng Kwok Pong and Mr. Yeung Kit Lam were appointed as independent non-executive Directors on 1 March 2015 and 23 April 2015, respectively. On 16 March 2016, Ms. Chiu Lai Ling Shirley was appointed as independent non-executive Director. 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 Articles of Association.

The non-executive Directors, Mr. Qiu Zhuang and Mr. Xing Lizhu, have been appointed for an initial term of three years commencing on 15 October 2015, which is renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term and subject to termination by either party giving not less than three months' notice in writing.

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.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	2015 **HK$'000**	2014 HK$'000
Fees	**1,309**	1,200
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**11,000**	7,620
Performance related bonuses	**—**	—
Equity-settled share option expenses	**—**	—
Pension scheme contributions	**42**	34
	11,042	7,654
Total	**12,351**	8,854

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 2015, the executive Directors were not entitled to any bonus (2014: Nil) as the Group incurred a net loss from ordinary activities attributable to equity holders.

(a) Independent Non-executive Directors

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

	2015 **HK$'000**	2014 HK$'000
Ng Kwok Pong *(Note 2)*	**400**	—
Yeung Kit Lam *(Note 3)*	**331**	—
Chan Man Hon, Eric *(Note 2)*	**80**	480
Lee Yuen Kwong *(Note 2)*	**80**	480
Li Defa *(Note 1)*	**22**	240
Chan Chi Wai, Benny *(Note 2 and Note 4)*	**396**	—
Total	**1,309**	1,200

Notes:

1. Mr. Li Defa has resigned as independent non-executive Director on 5 February 2015.
2. Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric have resigned as independent non-executive Directors on 27 February 2015 and 28 February 2015 respectively. Mr. Chan Chi Wai Benny and Mr. Ng Kwok Pong have been appointed as independent non-executive Directors on 1 March 2015.
3. Mr. Yeung Kit Lam has been appointed as independent non-executive Director on 23 April 2015.
4. Mr. Chan Chi Wai, Benny has resigned as independent non-executive Director on 28 December 2015.

There were no other emoluments payable to the independent non-executive Directors during the Year (2014: Nil).

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Executive Directors

The amount of remuneration paid to the executive Directors during the Year was as follows:

	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*
2015					
Wang Qiu *(Note 3)*	–	–	–	–	–
Wang Jian *(Note 3)*	–	–	–	–	–
Li Shuguang *(Note 3)*	–	–	–	–	–
Liu Fang *(Note 3)*	–	–	–	–	–
Liu Xiaoming *(Note 3)*	4,347	–	–	15	4,362
Xu Ziyi *(Note 3)*	1,554	–	–	15	1,569
Li Weigang *(Note 3)*	1,771	–	–	–	1,771
Wang Yongan *(Note 3)*	656	–	–	–	656
Ji Jianping *(Note 1 and Note 3)*	1,152	–	–	–	1,152
Cheung Chak Fung *(Note 2 and Note 3))*	1,520	–	–	12	1,532
Total	11,000	–	–	42	11,042
2014					
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

Notes:

1. Mr. Ji Jianping has been appointed as executive Director on 12 March 2015.
2. Mr. Cheung Chak Fung has been appointed as executive Director on 23 April 2015.
3. Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Li Weigang, Mr. Wang Yongan, Mr. Ji Jianping and Mr. Cheung Chak Fung have resigned as executive Directors on 15 October 2015. Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang and Ms. Liu Fang have been appointed as executive Directors on 15 October 2015. Mr. Qiu Zhuang and Mr. Xing Lizhu have been appointed as non-executive Directors on 15 October 2015.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(c) Senior Management

The remuneration of the senior management of the Group by band for the Year is set out below:

Remuneration bands	Number of senior management
Nil to HK$2,000,000	3
	3

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.

ACCOUNTABILITY AND AUDIT

The management of the Company is responsible for providing all relevant information to the Board, giving members with sufficient explanation and information they need to discharge their responsibilities. Board members are provided with monthly updates, including sales updates, projects launched, upcoming projects and financial position, which give the Board members a balanced and understandable assessment of the performance, position and prospects of the Group. A statement by the Auditor in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. For the year ended 31 December 2015, the Auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The management is however, of the view that the Group will continue as a going concern, for the reasons stated as set out in paragraph 10 under the section "Management Discussion and Analysis" on page 12 of this annual report.

The Group has announced in its interim results in a timely manner within two months after the end of the relevant period, as required under the Listing Rules. Reference is made to the announcement on 1 April 2016, pursuant to Rule 13.49(1) of the Listing Rules, the Company is required to publish the announcement in relation to its preliminary annual results for the year ended 31 December 2015 (the "2015 Annual Results") on a date not later than three months after the end of the financial year of the Company, i.e. on or before 31 March 2016. Nevertheless, the Company has failed to comply with the Rule 13.49(1) to publish the 2015 Annual Results because additional time is required for the Company to finalise certain information to be included in the 2015 Annual Results.

MANAGEMENT FUNCTIONS

The Board decides on corporate strategies establishes and maintains appropriate and effective risk management and internal control systems, approves overall business plans and supervises the Group's financial performance, management and organisation 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, implementation of internal controls procedures, and ensuring of compliance with relevant statutory requirements and other rules and regulations.

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up an Audit Committee, a remuneration committee (the "Remuneration Committee"), a 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

On 28 December 2015, Mr. Chan Chi Wai, Benny has resigned as an independent non-executive Director with effect from 28 December 2015 as he wished to focus on other business and personal affairs. Following Mr. Chan's resignation, the Company had only two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules and the chairman of the Audit Committee was yet to be appointed as required under Rule 3.21 of the Listing Rules.

On 16 March 2016, Ms. Chiu Lai Ling Shirley has been appointed as independent non-executive Director. Following the appointment of Ms. Chiu, the Audit Committee comprises three independent non-executive Directors, which fulfills the requirements under Rule 3.21 of the Listing Rules and the Audit Committee's terms of reference. On the same date, Mr. Ng Kwok Pong has been re-designated as the chairman of Audit Committee which fulfills the requirement under Rule 3.21 of the Listing Rules and the Audit Committee's terms of reference.

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. During the Year, the Audit Committee comprises two independent non-executive Directors namely Mr. Ng Kwok Pong and Mr. Yeung Kit Lam.

The Audit Committee currently comprises three independent non-executive Directors namely Mr. Ng Kwok Pong (chairman), Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.

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 Auditor 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 four meetings.

AUDIT COMMITTEE *(Continued)*

The Audit Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the work performed by the Audit Committee during the Year:

1. The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval. Details of the disclaimer opinions and remedial measures are disclosed in the section headed "Update on remedial measures" on pages 7 to 12;

2. The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements;

3. The Audit Committee reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

4. The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the Year;

5. Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues;

6. The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor;

7. The Audit Committee reviewed and approved the internal audit planning, and discussed any significant issues with the newly established internal audit team and the Group's senior management;

8. The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities;

9. The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls through a review of the work undertaken by the Group's external auditor and external internal control expert and discussions with the Board;

10. The Audit Committee reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group's senior financial management and internal audit, and discussions with the Board.

The revised terms of reference of Audit Committee was published on the respective websites of the Stock Exchange and the Company on 14 March 2016.

NOMINATION COMMITTEE

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. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" in this report.

During the year under review, the members namely Mr. Liu Xiaoming and Mr. Chan Chi Wai, Benny resigned on 15 October 2015 and 28 December 2015, respectively; and that Ms. Wang Qiu was appointed as a member of the committee on 15 October 2015, the members of the Nomination Committee comprise of an executive Director, Ms. Wang Qiu, and one independent non-executive Director namely Mr. Ng Kwok Pong (the then chairman of the committee). Meanwhile, the Nomination Committee had only one independent non-executive Director, which has not complied with the requirement of CG Code A.5.1.

Following the appointment of Ms. Chui Lai Ling Shirley as an independent non-executive Director on 16 March 2016, Ms. Chui has also been appointed as a member of the Nomination Committee and the Nomination Committee has then comprised of three members with majority of independent non-executive directors, which complies with code provision A.5.1 of the CG Code as set out in Appendix 14 to the Listing Rules and the Nomination Committee's terms of reference.

Ms. Wang Qiu, a member of Nomination Committee, has been re-designated as the Chairman of Nomination Committee on 16 March 2016.

During the Year, the Nomination Committee held six meetings to review and make recommendations to the Board about the nomination of proposed candidates to fill the vacancy of the Board.

REMUNERATION COMMITTEE

During the year under review, the members of the Remuneration Committee namely Mr. Liu Xiaoming and Mr. Chan Chi Wai, Benny resigned on 15 October 2015 and 28 December 2015, respectively; and that Mr. Wang Jian was appointed as a member of the committee on 15 October 2015. Therefore, the members of the Remuneration Committee then comprised of one independent non-executive Director, namely, Mr. Ng Kwok Pong (the chairman of the committee) and one executive Director, Mr. Wang Jian. Following the appointment of Ms. Chiu Lai Ling Shirley as an independent non-executive Director on 16 March 2016, she has been appointed as a member of the Remuneration Committee and the Remuneration Committee currently comprises of one executive Director and two independent non-executive Directors.

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 assesses performance of executive Directors and approve the terms of executive Directors' service contracts.

During the Year, the Remuneration Committee held five meetings to review and make recommendations to the Board on the individual executive Directors' and senior management's remuneration packages.

CORPORATE GOVERNANCE COMMITTEE

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 under review, the members namely Mr. Liu Xiaoming and Mr. Chan Chi Wai, Benny resigned on 15 October 2015 and 28 December 2015, respectively; and that Ms. Liu Fang was appointed as member of the committee on 15 October 2015, therefore, the Corporate Governance Committee then comprised of one independent non-executive Director, namely Mr. Ng Kwok Pong (the chairman of the committee) and one executive Director, Ms. Liu Fang.

Following the appointment of Ms. Chiu Lai Ling Shirley as a member of Corporate Governance Committee on 16 March 2016, the Corporate Governance Committee currently comprises of one executive Director and two independent non-executive Directors.

The Corporate Governance Committee held two meetings in 2015.

During the Year, the Corporate Governance Committee has performed the following works:

1. Reviewed the Company's policies and practices on corporate governance and made recommendations to the Board.

CORPORATE GOVERNANCE COMMITTEE *(Continued)*

2. Reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements.

3. Reviewed the Company's compliance with the code provisions of the CG Code and Corporate Governance Report issued by the Stock Exchange.

4. Ensured that good corporate governance practices and procedures are established.

Save as the provision of the Dajincang Financial Guarantees by the Group as outlined in the "Report of the Directors" on pages 58 to 59 of this annual report, the Corporate Governance Committee considered that the Company has complied with all code provisions in the CG Code during the Year.

Auditor's Remuneration

Ernst & Young was removed as Auditor of the Company with effect from 16 February 2016 and World Link CPA Limited ("World Link") was appointed on even date to fill the vacancy.

For the year ended 31 December 2015, auditor's remuneration of HK$4,800,000 was incurred for the audit services provided by World Link and HK$3,581,000 was paid for the audit and audit related services provided by other certified public accountant firms to the subsidiaries of the Company located in Hong Kong and the PRC.

During the Year, the following amounts were paid as professional fee to World Link and other certified public accountant firms for the provision of non-audit services to the Group:

	HK$'000
Taxation compliance	30
Others	538
Total	568

COMPANY SECRETARY

The company secretary of the Company, Mr. Lee Chi Yung, 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. Lee has attained no less than 15 hours of relevant professional training during the Year.

INVESTOR RELATIONS

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

The annual general meetings ("AGM") provide a useful forum for shareholders to exchange views with the Board. Members of the Audit, Remuneration and Nomination Committees and the external auditor will also attend the annual general meetings to answer questions from the shareholders.

The notice of annual general meeting will be distributed to all shareholders at least 20 clear business days prior to the AGM. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors. Details of the proposed resolutions will be contained, where necessary, in circulars of the Company. The chairman of the AGM shall exercise his/her power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll will be explained at the meeting. Poll results will be posted on the websites of the Company and the Stock Exchange after the meeting.

A shareholders' communication policy (the "Policy") was adopted by the Company to maintain an on-going dialogue with the shareholders and encourage them to communicate actively with the Company. The Company will review the Policy on a regular basis to ensure its effectiveness.

To the best knowledge of the Directors, as of 31 December 2015, details of shareholders by type and aggregate shareholding are as follow:

	Number of shares held	Percentage of shareholding	Market capitalisation (HK$ million)
Modern Agricultural Industry Investment Limited	3,135,509,196	49.0%	684
Liu Xiaoming	365,138,400	5.7%	80
Kong Zhanpeng	260,176,000	4.1%	57
Nie Zhiguo	44,400	0.0%	—
Xu Ziyi	5,646,000	0.1%	1
Ji Jianping	380,000	0.0%	—
Cheung Chak Fung	1,325	0.0%	—
Public float in Hong Kong	2,632,103,039	41.1%	574
Total	6,398,998,360	100.0%	1,395

Note: The Shares held by Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Ji Jianping and Mr. Cheung Chak Fung are not counted as part of the public float by virtue of them being former Directors within 12 months immediately before 31 December 2015. The Shares held by Mr. Kong Zhanpeng are not counted as part of the public float by virtue of him being a director of GSH. The Shares held by Mr. Nie Zhiguo are not counted as part of the public float by virtue of him being a former director of GSH.

The 2015 AGM was held on 1 June 2015 to approve the 2014 audited financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of Directors. All resolutions proposed were passed by way of poll.

The 2016 AGM will be held on 6 June 2016 to approve, among others, the 2015 audited financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of Directors.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is entrusted with the overall responsibility of establishing, maintaining and assessing the Group's internal control and risk management systems and its effectiveness. The role of the Group's management is to implement all policies on risk and control laid down by the Board.

The Group's internal control and risk management systems are designed to provide reasonable protection to the Group's assets, and to safeguard these assets from unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure accounting records are sufficiently accurate for the preparation of financial information used for operation and reporting purposes.

The Group's internal control framework covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

Monthly financial information and variance analysis are provided to Directors and quarterly financial review are discussed at Board Meetings for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organisation structure exists which details different levels of authority and control responsibilities within each business unit of the Group. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.

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

In November 2015, the Board engaged PKF Consulting Inc. Limited ("PKF") to conduct a review on the effectiveness of the internal control systems of the Group, and where weaknesses are identified, to recommend means for improvement to the Audit Committee. The Board has reviewed the effectiveness of the Group's internal control systems based on the assessment of the Audit Committee and PKF. The Company has complied with the CG Code on internal controls and risk management during the Year.

As disclosed in the results announcement and an announcement dated 31 March 2015 of the Company regarding, among others, the provision of financial assistance to a supplier, the Board has identified a number of internal control weaknesses during the audit of 2015. The Company has formulated the relevant action plan to address these weaknesses, details of which have been outlined in the section headed 'Update on remedial measures' on pages 7 to 12 of this annual report. An internal control team has been formed to implement the recommendations from PKF. In addition, an internal audit team has also been formed which reports directly to the Audit Committee. Accordingly, regular internal audit reports will be circulated to the Audit Committee members, the Chief Financial Officer and the external auditor for their review in accordance with the approved internal audit planning.

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

Principal Risks and Uncertainties

Risk is inherent in the Group's business and the markets in which it operates. It is of utmost importance for the management to identify, understand and manage these risks in order to minimise, transfer and avoid them. This demands a proactive approach to risk management and an effective risk management framework.

The Company is currently reviewing its enterprise risk management and will establish its risk profiling criteria in the form of a risk matrix to help assess and prioritise risks at the Group level. Business units will be required to adopt the same risk matrix structure in order to establish their own risk profiling criteria in determining consequence and likelihood of identified risks with reference to their own materiality and circumstances.

The Group's overall risk management is overseen by the Board. The Company recognises that risk management is the responsibility of everyone within the Group. Rather than being a separate and standalone process, risk management has been or will be integrated into business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

GBT's risk management objectives:

- Strategic level: The Company focuses on the identification and management of material risks at different levels – the Group, business units and functional units so as to better position the Company in pursuing its strategic and business objectives. In seeking growth opportunities, GBT strives to optimise risk/return tradeoffs while establishing strong and independent review and challenge processes.

- Operational level: GBT aims to identify, assess, evaluate and minimise operational hazards and risks to create a safe, healthy and efficient workplace for its employees while respecting our community and neighbourhood to ensure public safety and health, and minimising our environmental footprint.

GBT's risk appetite represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with GBT's value and expectations of its stakeholders, the Company will only take reasonable risks that fit its strategy and have been assessed, understood and therefore manageable; and such risks should not expose the Group to:

— material financial loss that substantially impacts the Group's ability to execute its business strategy and ongoing financial viability,

— consequence that affects the safety and health of our staff and the public,

— material breach of regulations deterioration of the Group's reputation and brand name,

— business/supply interruption leading to severe impact on the community, and severe environmental incidents.

The Board has identified a number of risks and uncertainties for the Group to deal with:

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

Principal Risks and Uncertainties *(Continued)*

Risk Description	Changes in 2015	Key Risk Mitigations
Regulatory Risks:		
Regulatory & political risk of PRC business		Implement comprehensive stakeholder engagement plan to facilitate sensible and informed discussion on the regulatory regime in PRC
Minimum corn purchase price in PRC	The minimum corn purchase price in PRC has been reduced to RMB2,000 in Jilin province	Focus on brand building, customer service and operating performance to reinforce GBT's performance and commitment to the community and our customers
Market Risks:		
Over supply of corn starch segment	Market sentiment continues to stay low	Engage in research and development for product diversification Minimise production capacity to reduce losses
Financial Risks:		
Group's liquidity risk of inadequate funding	GBT continues to negotiate with bankers not to withdraw its facilities	Solicit adequate and cost-effective funding in advance and maintain an appropriate mix of committed credit facilities.
Inability to obtain adequate and cost effective funding on time	GBT together with GSH negotiate with local government to dispose of land and building and current assets in order to strengthen its liquidity	Ensure funding diversification (sources, instruments and tenor). Maintain good, long-lasting relationship with lenders.
Industrial/Operational Risks:		
Major accident at construction or operating plants	No fatal events occur during the Year	Provide training on health and safety guidelines
Compliance Risks:		
Non-compliance with Listing Rules and other ordinances	External internal control expert employed to review the weaknesses of 2014 annual audit report	Set up internal control department and internal audit department Provide training to staff

CORPORATE SOCIAL RESPONSIBILITY

To stay competitive, it is the priority of the Group to ensure its long-term sustainability. In pursuing this goal, apart from financial performance, the Group also strives to enhance its social and environmental performances through stakeholders' engagement. The Group's corporate social responsibility ("CSR") strategies aim at building social capital which creates bonding internally as well as communication channels externally, so as to maintain tight relationship with our stakeholders. This will ultimately uphold the Group's moral obligations and lead to high efficiency and moral standard.

Environmental policy and performance

The Group has strong awareness on environmental conservation and places it as important as our business development. It is the Group's mission to maintain environmental sustainability together with its business growth.

To achieve this, the management of the Group is committed to:

1. continuously improve production efficiency and lower greenhouse gas emission through our research and development efforts;

2. reduce waste disposal and impose stringent wastewater treatment standards against the discharge of pollutants;

3. promote use of recycled materials and renewable resources;

4. promote sustainable use of energy, water, crops and other raw materials;

5. promote energy conservation;

6. minimise the impact on biodiversity and ecosystem;

7. comply with the relevant environmental regulations in all production facilities.

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

Environmental policy and performance *(Continued)*

The Group has supervising team set up in each subsidiary to monitor emission of gas, discharge of waste water and generation of hazardous and non-hazardous wastes. The supervising teams are responsible for the formulation of emission/discharge control procedures and environmental protection measures, regular check and evaluation of emission standards, and ensuring those standards are in compliance with the relevant national and local environmental regulations.

All major production sites of the Group in the PRC have their own wastewater treatment facilities in place to remove physical, chemical and biological contaminants from wastewater (from both industrial and domestic sewage in the production sites), with the objective to produce an environmentally-safe sewage discharges and recycle uses. Monitoring devices are placed at all discharge outlets of the Group's wastewater treatment facilities and connected with the local Environmental Bureau's network to keep track of emission data such as Chemical Oxygen Demand (COD) value. Such data is also subject to real time monitor by the Environment Protection Information Centre of the City as well as the Provincial Environmental Protection Information Centre.

The Group's production processes would emit certain greenhouse gases such as sulfurdioxide and nitrogen oxide. Same as the arrangement for wastewater treatment, monitoring devices are placed at all emission outlets and are subject to real time monitor by the Supervising Teams and the local as well as the provincial Environmental Bureau.

With respect to the cinder produced by the power plants, it will be sold as raw material for the production of cinder blocks after treatment.

Compliance with laws and regulations

During the year ended 31 December 2015, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

Key relationships with employees, customers and suppliers

Employee

The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

Key relationships with employees, customers and suppliers *(Continued)*

Employee *(Continued)*

The Group is committed to providing a safe and non-hazardous working environment for all staff. Apart from keeping update on the latest regulations by local and national authorities and government bodies, the Group reviews the working environment in each operation sites from time to time to ensure the health and safety of all staff. Such measures includes those internal control procedures such as setting up a team to inspect the production sites from time to time, reporting any work related accidents, remedies and improvement measures to be taken to the management in a timely manner, etc. All employees are trained before they commence carrying out their duties to ensure they are fit for the job and continuous training are provided to minimise chance of work related accidents.

The Group has stringent recruitment procedures to avoid child or forced labour. The Group's labour standards and recruitment procedures are in compliance with all the local as well as national labour regulations. Human Resources Department of each subsidiary will handle all staff-related matters including recruitment, remuneration, training and other welfares to make sure they comply with the relevant labour regulations.

Customers and suppliers

The Group's customers and suppliers are our key stakeholders in the pursuit of the Group's long-term business goals. Customer and supplier relationship management is one of the priorities of the Group during the course of business. Understanding the capabilities of our suppliers is as important as understanding the needs of our customers.

Ensuring product quality and safety products has always been the mission of the Group. The Group has stringent control in every process, from supply chain management, production processes, packaging, to delivery to customers. With respect to supply chain management, the Group has respective guidelines and policies in place for all staff when carrying out their duties. For the engagement of suppliers, the Group implements a stringent supplier certification process. Every supplier is required to go through a list of assessment procedures before getting qualified as the Group's supplier

During the year ended 31 December 2015, due to economic downturn and tighten credit policy of most PRC banks, there have been certain commercial disputes between the Group and certain of its customers and suppliers. The Group is now in the course of resolving these disputes through legal means and active negotiation with the concerned parties to seek mutually-agreed solutions.

Anit-corruption

The Group adopts zero tolerance policy to corruption. Under no circumstances shall a Group member offer or take bribes for personal earnings from business dealings (may it be in the form of commission, loan, gifts, services or offering/ accepting a position in an organisation). For business related entertainment expenses, employees are required to follow the company policies strictly and submit the relevant applications and declarations where applicable, to suppress any bribery, fraudulent and corrupt practice which would adversely affect the reputation and operations of the Group.

Community

Our commitment to the community also involves our people. The Group organised various extracurricular and social activities for our employees regularly and encourage our employees to participate in community investment activities.

OTHER SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Provision of financial assistance by the Group to a supplier

Reference is made to the announcement of the Company dated 31 March 2015 in relation to, among others, the provision of financial assistance by the Group to a supplier (the "March Announcement"). During November 2010 to March 2015, certain members of the Group entered into the guarantees for the benefit of Dajincang, a major supplier of the Company's subsidiaries in Changchun, in respect of its certain bank borrowings. Dajincang is beneficially majority-owned by the labour union of the PRC employees of the Group and is independent of the Group.

As the applicable percentage ratios in respect of the guarantees exceeded 25%, such guarantees constituted a major transaction of the Company and were therefore subject to the notification, announcement and shareholders' approval requirements under the Listing Rules. In addition, as such provision of guarantees constituted advances to an entity under Rule 13.13 of the Listing Rules, and since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company is also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose such guarantees in its interim reports and annual reports during the relevant periods when such guarantees were in effect. As such, the failures by the Company to comply with the above requirements constituted noncompliance with Rules 13.13, 13.14, 13.20 and Chapter 14 of the Listing Rules. For further information in relation to the above mentioned matters, please refer to the March Announcement for details.

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:

(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 Requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisition(s) as a result of the failure of the Directors shall be reimbursed to the Requisition(s) by the Company.

SHAREHOLDERS' RIGHTS *(Continued)*

2. Procedures for raising enquiries

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

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

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

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

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

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

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

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

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

The Directors present their report and audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn-based biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements.

BUSINESS REVIEW

A business review of the Group and an analysis of the Group's performance using financial key performance indicators during the year are provided in the message to shareholders and Management Discussion & Analysis on pages 4 to 5 and 6 to 21 of this annual report respectively. In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Corporate Social Responsibility Report disclosed in the Corporate Governance Report on pages 41 to 43 of this annual report.

The principal risks and uncertainties are disclosed in Corporate Governance Report under section headed "Risk Management and Internal Control" on pages 39 to 40 on this annual report. Particulars of important events affecting the reporting entity that have occurred since the end of the financial year are disclosed in Management Discussion & Analysis under section headed "Important Transaction" on pages 19 to 20 of this annual report. An indication of likely future development of the Group is disclosed in Management Discussion & Analysis under section headed "Future Plans and Prospects" on pages 20 to 21 of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 65 to 147.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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 148. 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 13 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 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 ("GBT 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 GBT Invested Entity;

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

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

The total number of shares of the Company (the "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 2015 and as at 31 December 2015	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	Closing price immediately before the grant date
						HK$	*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, the above 3,100,000 share options have lapsed on 20 January 2016.

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 ("GSH 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 GSH Invested Entity;

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

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

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

(vi) any shareholder of any member of the GSH Group or any GSH Invested Entity or any holder of any securities issued by any member of the GSH Group or any GSH 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 GSH 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 2015	Granted during the Year	Cancelled or lapsed during the Year	Exercised during the Year	Number of share options outstanding Exercised as at 31 December 2015	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
Zhong Fazheng#	2,000,000	–	(2,000,000)	–	–	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
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	2,900,000	–	(900,000)	–	2,000,000	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	24,900,000	–	(8,900,000)	–	16,000,000					

* Mr. Chan Yuk Tong was resigned as independent non-executive director of GSH on 24 December 2015.

\# Mr. Zhang Fazheng was retired as an executive director of GSH on 20 May 2014.

Up to date of this report, 16,000,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 1.05% 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 43 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company did not have reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the share premium of the Company of approximately HK$3,127,204,000 as at 31 December 2015 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 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 31% of the total sales for the Year and sales to the largest customer included therein accounted for 14% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for 17% of the total purchases for the Year and the purchase from the largest supplier included therein accounted for 4% 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 up to the date of this report were:

Executive Directors:

Wang Qiu	*(appointed on 15 October 2015)*
Wang Jian	*(appointed on 15 October 2015)*
Li Shuguang	*(appointed on 15 October 2015)*
Liu Fang	*(appointed on 15 October 2015)*
Liu Xiaoming	*(resigned on 15 October 2015)*
Xu Ziyi	*(resigned on 15 October 2015*
Li Weigang	*(resigned on 15 October 2015*
Wang Yongan	*(resigned on 15 October 2015)*
Ji Jianping	*(appointed on 12 March 2015 and resigned on 15 October 2015)*
Cheung Chak Fung	*(appointed on 23 April 2015 and resigned on 15 October 2015))*

Non-executive Directors:

Qiu Zhuang	*(appointed on 15 October 2015)*
Xing Lizhu	*(appointed on 15 October 2015)*

DIRECTORS *(Continued)*

Independent non-executive Directors:

Chiu Lai Ling, Shirley	*(appointed on 16 March 2016)*
Ng Kwok Pong	*(appointed on 1 March 2015)*
Yeung Kit Lam	*(appointed on 23 April 2015)*
Chan Chi Wai, Benny	*(appointed on 1 March 2015 and resigned on 28 December 2015)*
Lee Yuen Kwong	*(resigned on 27 February 2015)*
Chan Man Hon, Eric	*(resigned on 28 February 2015)*
Li Defa	*(resigned on 5 February 2015)*

According to article 108(A) of the Articles of Association, not less than one-third of the Directors shall retire from office by rotation at each AGM 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, Ms. Liu Fang, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam will retire as Directors.

In addition, pursuant to article 112 of the Articles of Association, 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 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 Ms. Chiu Lai Ling Shirley will end at the forthcoming AGM.

All the above Directors other than Ms. Liu Fang, being eligible, will offer themselves for re-election at the forthcoming AGM. Ms. Liu Fang will not offer herself for re-election at the forthcoming AGM.

The Company has received annual confirmations from each of Mr. Ng Kwok Pong and Mr. Yeung Kit Lam of their independence on 2 January 2016. Ms. Chiu Lai Ling Shirely has signed the independent confirmation letter on 16 March 2016. As at the date of this report, the Company considers all independent non-executive Directors to be independence.

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 22 to 23 of the annual report.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

The executive Directors, Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang and Ms. Liu Fang have entered into a service agreement with the Company for a term of three years commencing on 15 October 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 by giving not less than three months' notice in writing.

The non-executive Directors, Mr. Qiu Zhuang and Mr. Xing Lizhu, have entered into an appointment letter with the Company for a term of three years commencing on 15 October 2015. Each of the above appointment letters is renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term and subject to termination by either party giving not less than three months' notice in writing. The independent non-executive Directors, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam, have each entered into an appointment letter with the Company for a term of two years commencing on 1 March 2015 and 23 April 2015, respectively.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS *(Continued)*

Ms. Chiu Lai Ling Shirley, an independent non-executive Director, has entered into an appointment letter with the Company to a term of two years commencing on 16 March 2016.

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.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2015 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the articles of association of the Company being in force. The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover certain legal actions brought against its directors and officers arising out of corporate activities.

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 2015.

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 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the directors and chief executives of the Company in the 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 chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Kong Zhanpeng	18,251,000	241,920,000 *(Note 1)*	260,176,000	4.07

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

	Number of shares held capacity and nature of interest			
Name of chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of GSH's issued share capital**
Mr. Kong Zhanpeng	6,000,000 *(Note 2)*	1,984,000 *(Note 1)*	7,984,000	0.52

Notes:

1. These Shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.

2. These shares are underlying shares comprised in the options granted to Mr. Kong Zhanpeng pursuant to the share option scheme of GSH.

As at 31 December 2015, save as disclosed above, none of the directors and chief executives 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 Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, 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**
Liu Xiaoming	*1*	365,138,400	5.71
Personal representative of the late Mr. Xu Zhouwen	*2*	322,111,600	5.03
Modern Agricultural Industry Investment Limited	*3*	7,858,463,827	122.81

Notes:

1. Among these interests, 346,048,000 Shares of which are held by LXM Limited, the entire issued capital of which is beneficially owned by Mr. Liu Xiaoming, a former executive Director. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. Among these interests, 295,456,000 Shares of which are held by Crown Asia Profits Limited, the entire issued capital of which is held by the personal representative of the late Mr. Xu Zhouwen, a former executive Director.

3. These interest represents 3,135,509,196 shares and convertible bonds in the principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 ordinary shares upon full conversion based on the initial conversion price of HK$0.23 per Share (subject to adjustment). The entire issued capital of Modern Agricultural Industry Investment Limited is held by Modern Agricultural Industry Investment Holdings Limited which is in turn wholly owned by PRC LLP. The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited, and the sole limited partner of PRC LLP is Jiaotou. Jilin Province Modern Agricultural Industry Fund Limited is wholly owned by Jilin Changjitu Investment Co., Ltd. whose 91.11% of its interest is owned by Jiaotou. Jiaotou is 71.43% owned by 吉林省人民政府國有資產監督管理委員會 (Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province). Each of Modern Agricultural Industry Investment Limited, Modern Agricultural Industry Investment Holdings Limited, PRC LLP, Jilin Province Modern Agricultural Industry Fund Limited, Jilin Changjitu Investment Co., Ltd., Jiaotou and 吉林省人民政府國有資產監督管理委員會 (Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province) are deemed to be interested in the interest held by Modern Agricultural Industry Investment Limited.

Save as disclosed above, as at 31 December 2015, 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 the 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 2015.

AUDITOR

Reference is made to the announcement of the Company dated 16 February 2016. Upon the approval of the shareholders of the Company at the extraordinary general meeting of the Company convened on even date, Ernst & Young had been removed as the auditor of the Company, and World Link CPA Limited had been appointed as the auditor of the Company in place of Ernst & Young until the conclusion of the forthcoming AGM of the Company. As detailed in the announcement of the Company dated 15 January 2016, Ernst & Young had not been able to reach an agreement with the Company in relation to the audit fee payable for the financial year ended 31 December 2015.

World Link CPA Limited will retire and a resolution for their reappointment as auditor 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 paragraph 2 of the section headed "Updates on Remedial Measures" in the Management Discussion and Analysis of this annual 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 of Dajincang, 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 2015 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

Wang Qiu
Chairman

Hong Kong
25 April 2016

World Link CPA Limited
華普天健(香港)會計師事務所有限公司

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 65 to 147, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

AUDITOR'S 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 HKICPA. 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

Opening balances and corresponding figures

In the predecessor auditor's report dated 31 March 2015 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2014 (the "2014 Financial Statements"), the predecessor auditor did not express an opinion on the 2014 Financial Statements. The disclaimer of opinion was resulted from scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

Consequently, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have a significant impact on the Group's financial position as at 31 December 2014 and 1 January 2015, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

Impairment of non-current assets

As at 31 December 2014, an aggregate net carrying amount of non-current assets amounting to HK$9,577 million which comprised property, plant and equipment of HK$8,762 million, 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. Because of the losses sustained by the Group, the management should have performed an impairment assessment on these non-current assets in accordance with Hong Kong Accounting Standard ("HKAS") 36 *Impairment of Assets* issued by the HKICPA to determine whether these assets have been impaired. However, the management only performed impairment assessment on some of these assets.

Amongst all, at 31 December 2014, non-current assets with an aggregate net carrying amount of HK$8,200 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 were not assessed for impairment.

Based on the management's assessment of impairment performed for the remaining non-current assets with aggregate net carrying amount of HK$1,377 million which comprised property, plant and equipment of HK$1,194 million, prepaid lease payments of HK$177 million, deposits paid for the acquisition of property, plant and equipment and prepaid land lease payments of HK$2 million and intangible assets of HK$4 million as at 31 December 2014, a provision for impairment losses of HK$501 million was made for the year ended 31 December 2014.

During the year ended 31 December 2015, the Group recognised impairment losses on property, plant and equipment and goodwill of HK$359 million and HK$106 million respectively based on directors' impairment assessment. We were unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the directors' impairment assessment at 31 December 2014 and 2015. Any adjustments found to be necessary in respect of the impairment of the non-current assets together with related tax may have a significant impact on the financial position of the Group at 31 December 2014 and 2015, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Financial guarantee contracts

As at 31 December 2015, certain subsidiaries of the Group had jointly provided guarantees to a bank in connection with facilities granted to a major supplier which amounted to RMB2.85 billion (2014: RMB2.85 billion) (the "Financial Guarantee Contracts"). The Financial Guarantee Contracts have not been recognised in the Group's financial statements in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* issued by the HKICPA. As the management has not determined the fair value of these guarantees at initial recognition and the carrying amount for subsequent measurement in accordance with HKAS 39, we were unable to determine whether any adjustments to the consolidated financial statements were necessary, which may have a significant impact on the financial position of the Group at 31 December 2014 and 2015, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

Consolidation of foreign subsidiaries

In the preparation of consolidated financial statements for the year ended 31 December 2015, the Group has consolidated the financial statements of two foreign subsidiaries, namely Global Bio-chem Technology Americas Inc. ("GBTA") and Global Bio-chem Technology Europe GmbH Inc. ("GBTE"). Due to the cessation of overseas businesses by the Group, all local management personnel and staff members left these subsidiaries during the year ended 31 December 2015. The Group's management has to date been unable to fully retrieve the books and records of GBTA and GBTE to verify the correctness of the financial information which has been included in the Group's consolidated financial statements for the year ended 31 December 2015.

Included in the Group's consolidated financial statements were revenue of HK$100 million, loss for the year of HK$34 million, total assets of HK$83 million and net deficits of HK$196 million attributable to GBTA and GBTE in aggregate. Any adjustments found to be necessary in respect of the GBTA and GBTE financial statements would result in many elements in the consolidated financial statements to be materially affected. The effects on the consolidated financial statements have not been determined.

Inventories

Included in the Group's inventories balance as at 31 December 2015 were items kept at locations outside of the Group's premises amounting to HK$44 million (2014: HK$70 million). We were unable to perform effective audit procedures and to obtain sufficient appropriate audit evidence to verify the ownership of these inventories. Therefore, we were unable to determine whether any adjustments to these inventories were necessary, which may have a significant impact on the financial position of the Group at 31 December 2014 and 2015, and the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

Write-down of inventories

Included in the Group's cost of sales for the year ended 31 December 2014 was a write-down of HK$32 million against certain corn kernels with significant reduction in production yield. We were not provided with sufficient appropriate audit evidence for the write-down, therefore we were unable to determine whether any adjustments to the write-down of inventories of the Group at 31 December 2014 were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Other receivables

Included in the Group's prepayments, deposits and other receivables 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 that year. At 31 December 2014, no impairment loss had been recognised in respect of the receivable. At 31 December 2015, the receivable from this major supplier amounted to HK$756 million before impairment loss.

An impairment loss of HK$109 million was recognised during the year ended 31 December 2015, which was determined with reference to the fair value of the consideration receivable from the disposal of the receivable after the end of the reporting period. However, we were unable to verify the recoverability of the receivable at 31 December 2014. Therefore, we were unable to determine whether the impairment loss recognised during the year ended 31 December 2015 is fairly stated. Any adjustments found to be necessary in respect of the receivable may have a significant impact on the financial position of the Group at 31 December 2014, and of the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

Trade payables

Included in the Group's trade and bills payables balance as at 31 December 2014 were aggregate trade payables of HK$2,001 million. We were unable to obtain adequate confirmation responses or to obtain sufficient appropriate audit evidence by performing alternative procedures to verify the trade payables balance at 31 December 2014. Therefore, we were unable to determine whether any adjustments to the trade payables of the Group at 31 December 2014 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2014, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

Litigation

As explained in note 40 to the consolidated financial statements, the Company and certain subsidiaries of the Group were involved in litigations relating to certain infringed patents. We have been unable to obtain sufficient appropriate evidence to determine whether adequate provision has been made for the loss arising from these litigations as at 31 December 2014 in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* issued by the HKICPA. Therefore, we were unable to determine whether the provision recognised during the year ended 31 December 2015 is fairly stated. Any adjustment found to be necessary in respect of the provision may have a significant impact on the financial position of the Group at 31 December 2014, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2015.

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. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of HK$2,271 million during the year ended 31 December 2015 and, as of that date, the Group had net current liabilities of HK$2,501 million. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern basis depends on the Group's future profitable operation and the successful and favourable outcomes of the steps being taken by the management as described in note 2. The consolidated financial statements do not include any adjustments that would result in circumstance of failure to attain favourable outcomes from these steps and the Group is unable to continue as a going concern. We consider that appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

World Link CPA Limited
Certified Public Accountants

5/F Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

25 April 2016

Fung Tze Wa
Practising Certificate Number: P01138

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
REVENUE	5	**3,352,003**	6,399,205
Cost of sales		**(3,610,572)**	(7,288,927)
Gross loss		**(258,569)**	(889,722)
Other income and gains	5	**138,529**	432,346
Selling and distribution expenses		**(177,468)**	(551,339)
Administrative expenses		**(383,037)**	(405,464)
Other expenses		**(1,068,660)**	(1,664,116)
Finance costs	7	**(515,873)**	(628,318)
LOSS BEFORE TAX	6	**(2,265,078)**	(3,706,613)
Income tax expense	10	**(5,461)**	(58,067)
LOSS FOR THE YEAR		**(2,270,539)**	(3,764,680)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**37,982**	(66,083)
Items that will not be reclassified subsequently to profit or loss:			
Deficit on property revaluation		**(7,117)**	—
Income tax effect		**1,283**	—
		(5,834)	—
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX		**32,148**	(66,083)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,238,391)**	(3,830,763)
Loss for the year attributable to:			
Owners of the Company		**(1,995,970)**	(3,365,133)
Non-controlling interests		**(274,569)**	(399,547)
		(2,270,539)	(3,764,680)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,974,367)**	(3,424,077)
Non-controlling interests		**(264,024)**	(406,686)
		(2,238,391)	(3,830,763)
LOSS PER SHARE			
Basic	12	**HK$(0.51)**	HK$(1.03)
Diluted	12	**HK$(0.51)**	HK$(1.03)

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000 (restated)	1 January 2014 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	13	**6,301,975**	8,762,369	9,527,647
Prepaid land lease payments	14	**449,206**	697,351	812,925
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**5,251**	5,907	8,904
Goodwill	15	**—**	106,308	344,553
Intangible assets	16	**5,410**	5,424	5,434
Other receivables		**494,593**	—	—
Deferred tax assets	29	**—**	968	25,153
Interests in an associate	19	**—**	—	—
		7,256,435	9,578,327	10,724,616
Current assets				
Non-current assets held for sale	17	**1,349,707**	—	759,480
Inventories	20	**729,389**	843,829	3,341,568
Trade and bills receivables	21	**298,199**	581,793	1,419,257
Prepayments, deposits and other receivables	22	**1,275,238**	1,946,818	952,114
Due from an associate		**23,104**	21,320	31,110
Equity investments at fair value through profit or loss	23	**33,300**	35,617	93,581
Derivative financial instruments		**—**	—	19,021
Pledged deposits	24	**47,003**	269,909	133,996
Cash and cash equivalents	24	**1,567,426**	478,780	1,309,997
		5,323,366	4,178,066	8,060,124
Current liabilities				
Trade and bills payables	25	**1,505,592**	2,001,091	2,225,258
Other payables and accruals	26	**1,556,462**	1,248,460	1,065,351
Interest-bearing borrowings	27	**4,592,235**	6,008,438	4,954,609
Bonds		**—**	—	44,483
Tax payable		**170,258**	182,813	164,145
		7,824,547	9,440,802	8,453,846
Net current liabilities		**(2,501,181)**	(5,262,736)	(393,722)
Total assets less current liabilities		**4,755,254**	4,315,591	10,330,894

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000 (restated)	1 January 2014 HK$'000 (restated)
Non-current liabilities				
Interest-bearing borrowings	*27*	**3,564,643**	2,682,488	4,798,173
Deferred income	*28*	**134,011**	151,023	220,939
Deferred taxation	*29*	**226,433**	231,365	230,304
Convertible bonds	*30*	**806,091**	—	—
		4,731,178	3,064,876	5,249,416
NET ASSETS		**24,076**	1,250,715	5,081,478
Capital and reserves				
Share capital	*31*	**639,900**	326,349	326,349
Reserves		**(787,384)**	488,782	3,912,859
(Deficit) equity attributable to owners of the Company		**(147,484)**	815,131	4,239,208
Non-controlling interests		**171,560**	435,584	842,270
TOTAL EQUITY		**24,076**	1,250,715	5,081,478

Approved and authorised for issue by the Board of Directors on 25 April 2016 and signed on its behalf by

Chairman
Wang Qiu

Director
Liu Fang

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserve *HK$'000*	Asset revaluation reserve *HK$'000*	Convertible bonds reserve *HK$'000*	Other reserve *HK$'000*	Statutory reserve fund *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014												
As previously reported	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
Prior year adjustments	–	–	–	(33,575)	–	–	(248,656)	–	268,801	(13,430)	–	(13,430)
As restated	326,349	2,431,853	16,073	396,302	–	15,677	100,891	1,873,945	(921,882)	4,239,208	842,270	5,081,478
Loss for the year	–	–	–	–	–	–	–	–	(3,365,133)	(3,365,133)	(399,547)	(3,764,680)
Other comprehensive loss for the year	–	–	–	–	–	–	–	(58,944)	–	(58,944)	(7,139)	(66,083)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(58,944)	(3,365,133)	(3,424,077)	(406,686)	(3,830,763)
Transactions with owners:												
Contributions and distributions												
Transfer of share option reserve upon the forfeiture of share options	–	–	(295)	–	–	–	–	–	295	–	–	–
At 31 December 2014, as restated	326,349	2,431,853*	15,778*	396,302*	–	15,677*	100,891*	1,815,001*	(4,286,720)*	815,131	435,584	1,250,715

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015												
As previously reported	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
Prior year adjustments	–	–	–	(33,575)	–	–	(250,984)	–	277,384	(7,175)	–	(7,175)
As restated	326,349	2,431,853*	15,778*	396,302*	–	15,677*	100,891*	1,815,001*	(4,286,720)*	815,131	435,584	1,250,715
Loss for the year	–	–	–	–	–	–	–	–	(1,995,970)	(1,995,970)	(274,569)	(2,270,539)
Other comprehensive income (loss) for the year	–	–	–	(7,833)	–	–	–	29,436	–	21,603	10,545	32,148
Total comprehensive income (loss) for the year	–	–	–	(7,833)	–	–	–	29,436	(1,995,970)	(1,974,367)	(264,024)	(2,238,391)
Transfer from accumulated losses	–	–	–	–	–	–	5,048	–	(5,048)	–	–	–
Transactions with owners:												
Contributions and distributions												
Issue of share capital	313,551	407,616	–	–	–	–	–	–	–	721,167	–	721,167
Issue of convertible bonds	–	–	–	–	290,585	–	–	–	–	290,585	–	290,585
Transfer of share option reserve upon the forfeiture of share options	–	–	(5,251)	–	–	–	–	–	5,251	–	–	–
Total transactions with owners	313,551	407,616	(5,251)	–	290,585	–	–	–	5,251	1,011,752	–	1,011,752
At 31 December 2015	639,900	2,839,469*	10,527*	388,469*	290,585*	15,677*	105,939*	1,844,437*	(6,282,487)*	(147,484)	171,560	24,076

* These reserve accounts comprise the consolidated reserves of deficit of HK$787,384,000 (2014 as restated: surplus of HK$488,782,000) in the consolidated statement of financial position as at 31 December 2015.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000* (restated)
OPERATING ACTIVITIES		
Loss before tax	**(2,265,078)**	(3,706,613)
Adjustments for:		
Finance costs	**515,873**	628,318
Bank interest income	**(12,888)**	(6,973)
Loss on disposal of property, plant and equipment	**26,721**	1,170
Gain on disposal of prepaid land lease payments	**(7,540)**	(30,027)
Gain on resumption of land, property, plant and equipment	**–**	(256,863)
Depreciation	**588,109**	596,599
Amortisation of prepaid land lease payments	**24,433**	24,701
Amortisation of intangible assets	**9**	4
Amortisation of deferred income	**(10,646)**	(10,460)
Impairment of property, plant and equipment	**358,936**	262,633
Impairment of prepaid land lease payments	**5,135**	–
Impairment of goodwill	**106,308**	238,245
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	**–**	39,032
Impairment of prepayments and other receivables	**53,551**	260,216
Provision for impairment of trade receivables	**23,187**	266,018
Write-off of trade receivables	**10,750**	–
Loss on scrapped raw materials	**–**	120,298
(Reversal of) Provision for inventories	**(286,568)**	515,103
Fair value losses (gains), net:		
Derivative financial instruments	**–**	4,800
Equity investments at fair value through profit or loss	**2,317**	(1,527)
Bonds	**–**	327
Changes in working capital:		
Inventories	**364,856**	1,820,568
Trade and bills receivables	**235,414**	553,705
Prepayments, deposits and other receivables	**24,791**	(639,793)
Trade and bills payables	**(422,411)**	(196,351)
Other payables and accruals	**378,133**	146,173
Due from an associate	**(2,939)**	9,401
Cash (used in) generated from operations	**(289,547)**	638,704
Interest received	**12,888**	6,973
Income taxes (paid) refund	**(7,675)**	1,144
Net cash (used in) from operating activities	**(284,334)**	646,821

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (restated)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(92,582)**	(184,470)
Proceeds from disposal of property, plant and equipment	**66,653**	7,778
Proceeds on disposal of prepaid land lease payments	**15,306**	37,500
Proceeds from resumption of land, property, plant and equipment	**—**	344,350
Payment of prepaid land lease payments	**(2,463)**	(4,441)
Proceeds from disposal of financial assets at fair value through profit or loss	**—**	58,734
Net cash (used in) from investing activities	**(13,086)**	259,451
FINANCING ACTIVITIES		
New bank loans raised	**4,593,265**	4,093,750
Repayment of bank loans	**(4,720,663)**	(5,020,448)
Interest paid	**(505,477)**	(628,318)
Issue of share capital	**721,167**	—
Issue of convertible bonds	**1,086,280**	—
Redemption of bonds	**—**	(44,810)
Settlement of derivative financial instruments	**—**	14,221
Pledged cash for issuance of bills payable	**222,906**	(135,913)
Net cash from (used in) financing activities	**1,397,478**	(1,721,518)
Net increase (decrease) in cash and cash equivalents	**1,100,058**	(815,246)
Cash and cash equivalents at beginning of year	**478,780**	1,309,997
Effect on exchange rate changes on cash and cash equivalents	**(11,412)**	(15,971)
Cash and cash equivalents at end of year	**1,567,426**	478,780
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**1,567,426**	448,671
Non-pledged time deposits with original maturity of 3 months or less when acquired	**—**	30,109
Cash and cash equivalents as stated in the statement of cash flows	**1,567,426**	478,780

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. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements also comply with applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Basis of preparation

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for leasehold buildings measured at revalued amount, financial assets at fair value through profit or loss and financial guarantee contracts which are measured at fair value as set out in the accounting policies below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern

The Group recorded a consolidated net loss of HK$2,271 million (2014 as restated: HK$3,765 million) for the year ended 31 December 2015 and as at that date, the Group recorded net current liabilities of HK$2,501 million (2014 as restated: HK$5,263 million). In view of these circumstances, the Directors have taken the following steps to improve the Group's liquidity and solvency position.

(a) 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 People's Republic of China (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.

Pursuant to an agreement signed with four major lender banks of the subsidiaries of the company and Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") on 22 September 2015 (the "Agreement"), in respect of the banking facilities granted to the subsidiaries of the Company and GSH in Changchun, the four lender banks in Changchun agreed (i) to lower the interest rate for the bank borrowings; (ii) not to withdraw any banking facilities then obtained; and (iii) to take all possible measures to ensure the renewal of all existing bank borrowings. On 21 March 2016, at a meeting between the Company and three major lender banks in Changchun, the lender banks have reiterated their support to the subsidiaries of the Company and GSH in Changchun, confirmed the validity of the Agreement and expressed their intention to renew the existing banking facilities granted by them to the Company's and GSH's subsidiaries in Changchun for a period of three years.

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

The Group is taking measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. The management expects the performance of the Group's lysine segment will improve as the benefits from cost savings via facilities upgrade and government's subsidies of corn purchase gradually take effects.

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 measures to minimise the Group's operating cash outflows; (iii) the materialisation of the proposed disposals of lands and buildings erected thereon in Lu Yuan District, Changchun, the PRC, as disclosed in the joint announcements of the Company and GSH dated 31 December 2015 and 14 April 2016; and (iv) the materialisation of the proposed disposals of certain receivables, inventories and tools as disclosed in the Company's joint announcements with GSH dated 14 April 2016, the Directors consider that the Group is able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

(c) *Financial support from the ultimate beneficial owner of a major shareholder*

As disclosed in the Company's announcement dated 30 August 2015, the Company entered into a subscription agreement with Modern Agricultural Industry Investment Limited ("Modern Agricultural") pursuant to which Modern Agricultural conditionally agreed to subscribe (the "Subscription") at the Hong Kong dollar equivalent of RMB1,500,000,000 (the "Total Consideration") for: (i) an aggregate of 3,135,509,196 subscription shares that upon the subscription completion will represent approximately 49% of the issued shares of the Company as enlarged by the allotment and issue of the subscription shares; and (ii) the convertible bonds in the aggregate principal amount of the balance of the Total Consideration after subtracting therefrom the subscription monies for subscription shares, which may be converted into the conversion shares pursuant to the terms and conditions of the convertible bonds. As disclosed in the Company's announcement dated 15 October 2015, the completion of the subscription took place on even date. Subsequently, Modern Agricultural became a major shareholder of the Company holding approximately 49% of the issued shares of the Company. The Subscription brought in new capital of RMB1.5 billion to finance the Company's operational needs.

The Group has also received a written confirmation from the ultimate beneficial owner of a major shareholder of the Company that it will provide financial support to the Group for its operation on a going concern basis and undertake all liabilities that may arise from the financial guarantee contracts, as and when necessary. Such assistance received by the Group is not secured by any assets of the Group.

Based on the considerations as outlined in (a), (b) and (c) above, the Directors are of the view that the Company could operate as a going concern in 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 reclassification of non-current asset 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, respectively.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Correction of prior period errors

Government grant

In prior years, (i) government subsidy received by a subsidiary for the acquisition of prepaid land lease payments amounting to approximately HK$34 million was erroneously included in assets revaluation reserve; (ii) government reward awarded to a subsidiary amounted to approximately HK$12 million was erroneously included in deferred income; and (iii) reversal of deferred income from disposal of prepaid land lease payments was overstated by approximately HK$5 million. Prior year adjustments have been made to the balances of asset revaluation reserve, deferred income and its amortisation in the Group's profit or loss and the respective allocation of current and non-current portion of deferred income in the consolidated statement of financial position.

Statutory reserve

This represents accumulated appropriation from the accumulated profits of each of the Company's subsidiaries incorporated in the PRC in accordance with statutory requirements in the PRC. The appropriation should be calculated based on local financial statements prepared in accordance with financial reporting standards and generally accepted accounting standards in the PRC. In previous years, appropriations made by certain PRC subsidiaries of the Group were erroneously calculated based on adjusted financial statements for consolidation purpose. Prior year adjustments have been made to correct these errors in the balances of statutory reserve and accumulated losses in the consolidated statement of changes in equity.

Financial guarantee contracts of the Company

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. However, the amounts of such financial liability contracts included in the statement of financial position of the Company as at 31 December 2014 were carried forward from the balance as at 1 January 2014 without re-measurement as required by HKAS 39. In current year, the Company appointed an independent professional valuer to reassess the fair value of these financial guarantee contracts as at 31 December 2014 and 2015. Prior year adjustment has been made to the Company's statement of financial position.

Reallocation of costs related to idle capacity of production facilities

During the year ended 31 December 2014, the costs related to idle capacity of production facilities amounted to approximately HK$431 million was recorded as "administrative expenses" in the consolidated statement of comprehensive income. The comparative figures of 2014 have been revised to reallocate the amount to "other expenses" which conform with current year classification and presentation.

The related comparative information has been restated to correct the above errors.

A summary of the principal accounting policies adopted by the Group is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs

Amendments to HKAS 19 (2011): Defined Benefit Plans — Employee Contributions

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Annual Improvements Project: 2010-2012 Cycle

The amendments include the followings:

(1) HKFRS 2 Share-based Payment

The amendments add definitions for "performance condition" and "service condition" which were previously part of the definition of "vesting condition" and update the definitions of "vesting condition" and "market condition". It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period.

(2) HKFRS 3 Business Combinations

These amendments delete the reference to "other applicable HKFRSs" in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss.

(3) HKFRS 8 Operating Segments

HKFRS 8 is updated as follows:

a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Annual Improvements Project: 2010-2012 Cycle *(Continued)*

(4) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial.

(5) HKAS 16 Property, Plant and Equipment

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, the Standard is amended such that a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses.

(6) HKAS 24 Related Party Disclosures

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed.

(7) HKAS 38 Intangible Assets

The issue identified above in restatement of accumulated depreciation in revaluation of a property, plant or equipment also applies to the revaluation of intangible assets and the Standard is amended accordingly.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Annual Improvements Project — 2011-2013 Cycle

The amendments include the followings:

(1) *HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards*

The basis for conclusions is amended to clarify that notwithstanding the advantages of applying a more recent version of a HKFRS, HKFRS 1 permits an entity to use either the HKFRS that is currently mandatory or the new HKFRS that is not yet mandatory, if that new HKFRS permits early application. If an entity chooses to apply a new HKFRS, that new HKFRS will be applied throughout all the periods presented unless HKFRS 1 provides an exemption or an exception that permits or requires otherwise.

(2) *HKFRS 3 Business Combinations*

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves.

(3) *HKFRS 13 Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32.

(4) *HKAS 40 Investment Property*

These amendments clarify that judgement is needed to determine whether a transaction is an acquisition of an asset or a group of assets or is a business combination within the scope of HKFRS 3. That judgement is not based on HKAS 40, but is instead based on the guidance in HKFRS 3. Further, HKFRS 3 and HKAS 40 are not mutually exclusive. Determining whether a specific transaction meets the definition of a business combination as defined in HKFRS 3 and includes an investment property as defined in HKAS 40 requires the separate application of both Standards.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKASs 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKASs 16 and 41	Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
Annual Improvements Project	2012-2014 Cycle[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9 (2014)	Financial Instruments[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been delayed/removed.

The Directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs. Certain of these new/revised HKFRSs will have impact on the consolidated financial statements. Further information about the impact will be available nearer the implementation date of the standard.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. 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. 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.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

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.

Changes in ownership interest

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. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

If the Group loses control over a subsidiary, it derecognises (i) the carrying amount of 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 interest 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. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 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 in the Company's statement of financial position which is presented within these notes.

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 initially at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of comprehensive income. 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. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 profit or loss in the period in which it arises, unless the asset is carried at revaluation, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

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;

(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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. 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, other than construction in-progress 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Intangible assets

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 on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

Research and development costs

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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 assessed as having indefinite useful life and 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 in profit or loss.

Operating leases

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

Prepaid land lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are initially stated at cost and subsequently recognised as expense on the straight-line basis over the lease terms.

Non-current assets held for sale

Non-current assets 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 must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Immediately before the initial classification of the asset as held for sale, the carrying amounts of the asset 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Initial recognition, classification and measurement

All regular way purchases and sales of financial assets and financial liabilities 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.

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.

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.

Subsequent measurement

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial assets or financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term, are part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or derivatives including separated embedded derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets or financial liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with any resultant gain and loss recognised in 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 or 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Subsequent measurement *(Continued)*

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

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 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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. 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 profit or loss. Loss arising from impairment is recognised in profit or loss.

Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings. After initial recognition, all financial liabilities except for derivatives are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Subsequent measurement *(Continued)*

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.

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, other than those at fair value through profit or loss, 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.

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, the asset will be aggregated in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or has been 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).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. Reversal of a previously recognised impairment is credited to profit or loss and is subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

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 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

Financial liabilities

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

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Convertible bond

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve within equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bonds reserve is transferred to share capital and other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bonds reserve is transferred to retained profits/accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of proceeds.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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.

For classification in the consolidated 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. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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 profit or loss. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. PRINCIPAL 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 jurisdictions 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 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 liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability is arisen from the initial recognition of goodwill or other 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, unutilised tax credits and 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, unutilised tax credits and losses 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 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 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 and costs, if applicable, can be measured reliably, on the following bases.

Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Interest income from financial assets is recognised 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 by an external valuer, further details of which are given in note 32 to the consolidated financial statements.

The cost of equity-settled transactions is recognised as an employee costs in profit or loss with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Pension schemes and other retirement benefits

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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 profit or loss.

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

The functional currencies of certain overseas subsidiaries 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 results 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 exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in 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 consolidated 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.

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 2015, the Group recorded "Non-current assets held for sale" with a carrying value amounting to HK$1,349,707,000 (2014: HK$Nil) which are related to the disposal of these assets pursuant to the relocation of the Group's production facilities located at Lu Yuan District as further disclosed in note 17 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.

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

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 physical deterioration, functional obsolescence and economic obsolescence.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill associated with the operation disposed of should be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operations disposed of and the portion of the cash-generating unit retained. To assess whether impairment exists for the goodwill being allocated to the operation to be disposed of, management has compared the aggregate carrying amounts of the relevant cash-generating units to be disposed of and the portion of the goodwill allocated to the estimated fair value less costs of disposal. If there is no binding sale agreement or active market for that asset, 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 2015 was HK$Nil (2014: HK$106,308,000). More details are given in note 15 to the consolidated financial statements.

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 life 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, 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 and other receivables

The policy for provision for impairment losses of trade and other receivables of the Group is based on the evaluation of collectability, the aged analysis of 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 or counterparty. If the financial conditions of customers or counterparties 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 2015, the carrying amount of inventories was approximately HK$729,389,000 (2014: HK$843,829,000) net of allowances.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

(d) the corn sweeteners segment engages in the manufacture and sale of corn-based biochemical products, including glucose, maltose, high fructose corn syrup, crystallised glucose and maltodextrin.

The management, who are the chief operating decision-makers, 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 results, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with that of the Group's except that interest income, finance costs, government grants, fair value gains or losses and disposal gains or losses from financial instruments as well as corporate income and expenses are excluded from such measurement.

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results:

For the year ended 31 December 2015

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customer	**1,609,114**	**881,615**	**60,045**	**801,229**	**–**	**3,352,003**
Intersegment	**154,606**	**–**	**–**	**–**	**(154,606)**	**–**
Total Revenue	**1,763,720**	**881,615**	**60,045**	**801,229**	**(154,606)**	**3,352,003**
Segment results	**(987,038)**	**(503,345)**	**(41,769)**	**(262,950)**	**–**	**(1,795,102)**
Bank interest income						**12,888**
Unallocated revenue						**118,100**
Unallocated expenses						**(85,091)**
Finance costs						**(515,873)**
Loss before tax						**(2,265,078)**
Income tax expense						**(5,461)**
Loss for the year						**(2,270,539)**

For the year ended 31 December 2014 (restated)

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customer	2,674,941	2,175,088	153,259	1,395,917	–	6,399,205
Intersegment	1,260,353	–	–	19,710	(1,280,063)	–
Total Revenue	3,935,294	2,175,088	153,259	1,415,627	(1,280,063)	6,399,205
Segment results	(1,689,766)	(838,993)	(137,907)	(407,899)	–	(3,074,565)
Bank interest income						6,973
Unallocated revenue						130,625
Unallocated expenses						(141,328)
Finance costs						(628,318)
Loss before tax						(3,706,613)
Income tax expense						(58,067)
Loss for the year						(3,764,680)

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other information

For the year ended 31 December 2015

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Total *HK$'000*
Capital expenditure *(note)*	71,824	13,179	534	9,508	95,045
Depreciation	314,678	186,871	7,093	79,467	588,109
Amortisation of prepaid land lease payments	17,630	3,918	–	2,885	24,433
Gain on disposal of prepaid land lease payments	7,540	–	–	–	7,540
Gain (Loss) on disposal of property, plant and equipment	(28,553)	(935)	–	2,767	(26,721)
Impairment of prepaid land lease payments	5,135	–	–	–	5,135
Impairment of property, plant and equipment	301,269	–	–	57,667	358,936
Impairment of goodwill	106,308	–	–	–	106,308
Impairment (Reversal) of trade receivables	886	21,567	2,361	(1,627)	23,187
Write-off of trade receivables	10,750	–	–	–	10,750
(Reversal of) Provision for inventories	(16,509)	(21,690)	(250,424)	2,055	(286,568)
Impairment (Reversal) of prepayments and other receivables	57,238	(3,493)	(194)	–	53,551

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other information *(Continued)*

For the year ended 31 December 2014 (restated)

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Total *HK$'000*
Capital expenditure *(note)*	44,041	111,474	119,917	11,435	286,867
Depreciation	232,454	242,940	48,251	72,954	596,599
Amortisation of prepaid land lease payments	4,913	14,893	2,637	2,258	24,701
Gain on disposal of prepaid land lease payments	30,027	–	–	–	30,027
Gain on resumption of property, plant and equipment	102,669	–	154,194	–	256,863
Impairment of property, plant and equipment	79,382	–	–	183,251	262,633
Impairment of goodwill	238,245	–	–	–	238,245
Impairment of deferred tax assets	–	22,630	–	–	22,630
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	20,340	17,786	906	–	39,032
Impairment of trade receivables	68,881	149,654	43,100	4,383	266,018
Loss on scrapped raw materials	29,836	–	90,462	–	120,298
Write down of inventories	337,738	173,146	–	4,219	515,103
Impairment of prepayments and other receivables	240,474	13,577	5,031	1,134	260,216

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

5. REVENUE, OTHER INCOME AND GAINS

	2015 **HK$'000**	2014 HK$'000 (restated)
Revenue		
Sale of goods	**3,352,003**	6,399,205
Other income		
Bank interest income	**12,888**	6,973
Net profit arising from the sale of packing materials and by-products	**12,571**	52,205
Government grants *(note)*	**66,658**	75,803
Reversal of indemnity for breach of contract	**21,938**	—
Others	**2,629**	8,259
	116,684	143,240
Gains		
Gain on disposal of prepaid land lease payments	**—**	30,027
Gain on resumption of land, property, plant and equipment	**—**	256,863
Fair value gains, net:		
Derivative financial instruments	**—**	(4,800)
Equity investments at fair value through profit or loss	**—**	1,527
Bonds	**—**	(327)
Foreign exchange gain	**21,845**	5,816
	21,845	289,106
	138,529	432,346

Note: Government grants represented the rewards to certain subsidiaries of the Company located in the mainland of the PRC ("Mainland China") for environmental protection of land owned by these subsidiaries and energy efficiency rebates.

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	2015 HK$'000	2014 HK$'000 (restated)
Employee benefits expenses including directors' remuneration:		
Wages and salaries	**150,417**	208,340
Pension scheme contributions	**24,284**	7,454
	174,701	215,794
Cost of inventories sold	**3,576,881**	5,119,523
Depreciation	**588,109**	596,599
Amortisation of prepaid land lease payments	**24,433**	24,701
Auditor's remuneration	**8,300**	8,192
Impairment of property, plant and equipment	**358,936**	262,633
Impairment of prepaid land lease payments	**5,135**	—
Impairment of goodwill	**106,308**	238,245
Impairment of deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	**—**	39,032
Provision for impairment of prepayments and other receivables	**53,551**	260,216
Loss on scrapped raw materials	**—**	120,298
Research and development costs	**2,780**	17,084
Provision for impairment of trade receivables	**23,187**	266,018
Write-off of trade receivables	**10,750**	—
(Reversal of) indemnity for breach of contract	**(21,938)**	21,938
Loss on disposal of property, plant and equipment	**26,721**	1,170
Foreign exchange difference, net	**(20,480)**	5,816
(Reversal of) provision for inventories	**(286,568)**	515,103
Amortisation of deferred income	**(10,646)**	(10,460)
Amortisation of intangible assets	**9**	4

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on borrowings	**503,522**	773,398
Finance costs for discounted bills receivable	**1,955**	6,957
Interest on bonds	**—**	1,174
Imputed interest on convertible bonds	**10,396**	—
	515,873	781,529
Interest capitalised	**—**	(153,211)
	515,873	628,318

8. DIRECTORS' REMUNERATION

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 2015 and 2014, no bonus was paid to the executive directors and the chief executive.

	2015			
	Directors' fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Ms. Wang Qiu (appointed on 15.10.2015)	–	–	–	–
Mr. Wang Jian (appointed on 15.10.2015)	–	–	–	–
Mr. Li Shuguang (appointed on 15.10.2015)	–	–	–	–
Ms. Liu Fang (appointed on 15.10.2015)	–	–	–	–
Mr. Liu Xiaoming (resigned on 15.10.2015)	–	4,347	15	4,362
Ms. Xu Ziyi (resigned on 15.10.2015)	–	1,554	15	1,569
Mr. Li Weigang (resigned on 15.10.2015)	–	1,771	–	1,771
Mr. Wang Yongan (resigned on 15.10.2015)	–	656	–	656
Mr. Ji Jianping (appointed on 12.3.2015 and resigned on 15.10.2015)	–	1,152	–	1,152
Mr. Cheung Chak Fung (appointed on 23.4.2015 and resigned on 15.10.2015)	–	1,520	12	1,532
	–	11,000	42	11,042
Independent non-executive directors				
Mr. Ng Kwok Pong (appointed on 1.3.2015)	400	–	–	400
Mr. Yeung Kit Lam (appointed on 23.4.2015)	331	–	–	331
Mr. Chan Chi Wai, Benny (appointed on 1.3.2015 and resigned on 28.12.2015)	396	–	–	396
Mr. Chan Man Hon, Eric (resigned on 28.2.2015)	80	–	–	80
Mr. Lee Yuen Kwong (resigned on 27.2.2015)	80	–	–	80
Mr. Li Defa (resigned on 5.2.2015)	22	–	–	22
	1,309	–	–	1,309

8. DIRECTORS' REMUNERATION *(Continued)*

	2014			
	Directors' fees *HK$'000*	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Mr. Liu Xiaoming (resigned on 15.10.2015)	–	3,960	17	3,977
Ms. Xu Ziyi (resigned on 15.10.2015)	–	1,440	17	1,457
Mr. Li Weigang (resigned on 15.10.2015)	–	1,620	–	1,620
Mr. Wang Yongan (resigned on 15.10.2015)	–	600	–	600
	–	7,620	34	7,654
Independent non-executive directors				
Mr. Chan Man Hon, Eric (resigned on 28.2.2015)	480	–	–	480
Mr. Lee Yuen Kwong (resigned on 27.2.2015)	480	–	–	480
Mr. Li Defa (resigned on 5.2.2015)	240	–	–	240
	1,200	–	–	1,200

Ms. Chiu Lai Ling, Shirley has been appointed as independent non-executive director with effect from 16 March 2016.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2014: two) resigned/existing executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2014: three) non-director, highest paid employees for the year are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,327**	9,735
Pension scheme contributions	**—**	17
	1,327	9,752

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

	2015 HK$'000	2014 HK$'000
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$4,500,000	**—**	2
	1	3

During the year, no emolument was paid or payable by the Group to any of the directors or the highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Year (2014: Nil). Taxes on profits in the PRC and overseas have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2015 *HK$'000*	2014 *HK$'000*
Current tax — current year		
The PRC	**4,886**	8,090
Overseas	**15**	24,113
	4,901	32,203
Deferred taxation		
Origination and reversal of temporary differences	**560**	25,864
Total tax charge for the year	**5,461**	58,067
Taxation recognised directly in other comprehensive income		
Deferred tax relating to revaluation of property, plant and equipment	**(1,283)**	—
Deferred tax recognised in profit or loss		
Types of temporary differences		
Depreciation allowances	**560**	1,992
Provision for impairment losses on trade receivables	**—**	13,294
Provision for impairment losses on inventories	**—**	7,257
Government grants received	**—**	3,321
	560	25,864

10. TAXATION *(Continued)*

Reconciliation of tax expense

A reconciliation of the tax expense to loss before tax using the applicable tax rates for the locations in which the Company and the majority of its subsidiaries are domiciled is as follows:

	Total	
	2015	2014
	HK$'000	*HK$'000*
		(restated)
Loss before tax	**(2,265,078)**	(3,706,613)
Income tax at applicable tax rate	**(552,695)**	(912,657)
Preferential tax rate offered	**42,837**	85,090
Non-deductible expenses	**197,922**	126,154
Tax-exempt income	**(9,341)**	—
Underprovision of current tax in prior years	**—**	1,578
Unrecognised temporary difference	**99,115**	—
Unrecognised tax losses	**229,678**	734,819
Utilisation of previously unrecognised tax losses	**(12,665)**	(1,030)
Transfer pricing provision	**—**	24,113
Others	**(312)**	—
	(5,461)	58,067

The applicable tax rate is the weighted average of the tax rates prevailing in the locations in which the Group entities operate.

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2015 includes a loss of HK$5,322,346,000 (2014 as restated: loss of HK$25,572,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

Basic

The calculation of the basic loss per share is based on the loss for the Year attributable to ordinary equity holders of the Company of HK$1,995,970,000 (2014 as restated: HK$3,365,133,000), and the weighted average number of 3,933,543,184 (2014: 3,263,489,164) ordinary shares in issue during the Year.

Diluted

	2015	2014
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to ordinary equity holders of the Company	**1,995,970**	3,365,133
Imputed interest expense on convertible bonds	**(10,396)**	—
Loss for the year attributable to ordinary equity holders of the Company used in calculation of diluted loss per share	**1,985,574**	3,365,133

During the years ended 31 December 2015 and 2014, as anti-dilutive effect is resulted following the losses incurred by the Group, diluted loss per share is same as basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2015	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*
Cost or valuation					
At beginning of the year	6,594,311	9,761,805	218,187	965,676	17,539,979
Additions	3,713	50,580	3,746	25,073	83,112
Transfer	78,161	3,300	–	(81,461)	–
Reclassified as held for sale *(note 17)*	(1,491,134)	–	–	2,768	(1,488,366)
Disposal	(14,700)	(31,219)	(23,647)	(57,170)	(126,736)
Revaluation	(7,117)	–	–	–	(7,117)
Exchange realignment	(291,052)	(418,411)	(9,815)	(32,403)	(751,681)
At the end of the reporting period	4,872,182	9,366,055	188,471	822,483	15,249,191
Accumulated depreciation					
At beginning of the year	1,089,885	4,032,559	191,597	–	5,314,041
Provision for the year	158,105	421,030	8,974	–	588,109
Reclassified as held for sale *(note 17)*	(336,278)	–	–	–	(336,278)
Written back on disposal	(2,588)	(10,642)	(20,132)	–	(33,362)
Exchange realignment	(56,339)	(211,569)	(8,986)	–	(276,894)
At the end of the reporting period	852,785	4,231,378	171,453	–	5,255,616
Accumulated impairment					
At beginning of the year	–	3,458,888	4,681	–	3,463,569
Provision for the year	–	324,255	333	34,348	358,936
Exchange realignment	–	(129,033)	(236)	(1,636)	(130,905)
At the end of the reporting period	–	3,654,110	4,778	32,712	3,691,600

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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*
Cost or valuation					
At beginning of the year	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
Transfer	23,205	237,269	–	(260,474)	–
Disposal	(14,102)	(47,045)	(4,776)	(21,479)	(87,402)
Exchange realignment	(80,065)	(84,446)	(2,588)	(11,020)	(178,119)
At the end of the reporting period	6,594,311	9,761,805	218,187	965,676	17,539,979
Accumulated depreciation					
At beginning of the year	941,822	3,704,671	188,600	–	4,835,093
Provision for the year	166,974	420,293	9,332	–	596,599
Written back on disposal	(7,455)	(43,437)	(4,082)	–	(54,974)
Exchange realignment	(11,456)	(48,968)	(2,253)	–	(62,677)
At the end of the reporting period	1,089,885	4,032,559	191,597	–	5,314,041
Accumulated impairment					
At beginning of the year	–	3,198,905	4,681	–	3,203,586
Provision for the year	2,650	259,983	–	–	262,633
Written back on disposal	(2,650)	–	–	–	(2,650)
At the end of the reporting period	–	3,458,888	4,681	–	3,463,569
Net book value					
At 1 January 2014	5,722,036	2,728,641	23,398	1,053,572	9,527,647
At 31 December 2014 and 1 January 2015	5,504,426	2,270,358	21,909	965,676	8,762,369
At 31 December 2015	**4,019,397**	**1,480,567**	**12,240**	**789,771**	**6,301,975**
Analysis of cost or valuation:					
At 31 December 2014					
At Cost	–	2,270,358	21,909	965,676	3,257,943
At valuation	5,504,426	–	–	–	5,504,426
At 31 December 2015					
At Cost	**–**	**1,480,567**	**12,240**	**789,771**	**2,282,578**
At valuation	**4,019,397**	**–**	**–**	**–**	**4,019,397**

13. 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 2015 by Savills Valuation and Professional Services Limited, independent professional qualified valuers, at an aggregate open market value of HK$4,019,397,000 based on their existing use. A deficit on revaluation approximately HK$5,834,000 after income tax effect is arisen therefrom, among which, a deficit of HK$7,833,000 has been charged to asset revaluation reserve attributable to the owner of the parent of the Company and a surplus of HK$1,999,000 is attributable to the non-controlling interests during the year ended 31 December 2015. The fair value measurement hierarchy, valuation technique used and key inputs to the valuation of leasehold buildings are summarised in note 38 to the consolidated financial statements.

At 31 December 2015, the applications for building certificates for certain leasehold buildings of the Group with a total net carrying amount of HK$1,624,259,000 (2014: HK$3,355,872,026) were still in progress. 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 cost model less accumulated depreciation, their carrying amount would have been approximately HK$3,698,150,000 (2014: HK$5,211,511,000).

Other information

Details of the Group's property, plant and equipment pledged to secure the Group's interest-bearing bank loans are set out in note 27 to the consolidated financial statements.

14. PREPAID LAND LEASE PAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Carrying amount at 1 January	**721,304**	836,149
Additions	**2,463**	4,441
Amortised during the year	**(24,433)**	(24,701)
Reclassified as held for sale *(note 17)*	**(197,619)**	—
Disposal	**(7,766)**	(85,631)
Impairment	**(5,135)**	—
Exchange realignment	**(27,559)**	(8,954)
Carrying amount at 31 December	**461,255**	721,304
Current portion included in prepayments, deposits and other receivables	**(12,049)**	(23,953)
Non-current portion	**449,206**	697,351

14. PREPAID LAND LEASE PAYMENTS (CONTINUED)

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 2015, the Group has not obtained land use right certificates for prepaid land lease payments with a total carrying amount of HK$12,344,000 (2014: HK$46,743,000).

Details of the Group's leasehold land pledged to secure the Group's interest-bearing bank loans are set out in note 27.

15. GOODWILL

	2015	2014
	HK$'000	*HK$'000*
Reconciliation of carrying amount		
At beginning of the year	**106,308**	344,553
Impairment losses	**(106,308)**	(238,245)
At the end of the reporting period	**–**	106,308
Cost	**360,889**	360,889
Accumulated impairment losses	**(360,889)**	(254,581)
Net carrying amount	**–**	106,308

Goodwill at the beginning of the reporting period was arisen from assets to be retained in the Lu Yuan District, PRC recorded by companies other than GSH Group. Because of sustained losses recorded during the year, full impairment losses have been made.

16. INTANGIBLE ASSETS

	Golf club membership *HK$'000*	Trademarks *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount — year ended 31 December 2014			
At beginning of the year	5,290	144	5,434
Amortisation	—	(4)	(4)
Exchange realignment	(6)	—	(6)
At the end of the reporting period	5,284	140	5,424
Reconciliation of carrying amount — year ended 31 December 2015			
At beginning of the year	5,284	140	5,424
Amortisation	—	(9)	(9)
Exchange realignment	—	(5)	(5)
At the end of the reporting period	5,284	126	5,410
At 31 December 2014			
Cost	5,284	154	5,438
Accumulated amortisation	—	(14)	(14)
Net carrying amount	5,284	140	5,424
At 31 December 2015			
Cost	5,284	146	5,430
Accumulated amortisation	—	(20)	(20)
Net carrying amount	5,284	126	5,410

17. NON-CURRENT ASSETS HELD FOR SALE

Pursuant to the Company's joint announcement with GSH dated 31 December 2015 and 14 April 2016, the members of the Group and the GSH Group and an independent third party (the "Purchaser") which is a company established in the PRC entered into various agreements in relation to the proposed sale by members of the Group and the GSH Group to the Purchaser of certain pieces of land located in Lu Yuan District, Changchun, the PRC, and buildings erected thereon at a total consideration of approximately RMB2,200 million (equivalent to HK$2,619 million), of which approximately RMB10 million is payable within one month after the date of the agreement, approximately RMB40 million is payable within one month after the completion of the agreement, approximately RMB1,000 million and RMB1,000 million are payable within one month and twelve months after the completion of all the procedures for (i) the transfer and the change of registration of ownership of the relevant properties to the Purchaser; and (ii) the release and discharge of all the mortgages, third party interests and/or court orders over the relevant properties, respectively, and approximately RMB150 million is payable after the completion of relocation of the relevant properties by the Group and the delivery thereof to the Purchaser.

18. SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal place of business and place of incorporation/ registration	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
GSH	Cayman Islands	HK$152,758,600	64	Investment holding
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	PRC	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
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.* ("Jinzhou Yuancheng")	PRC	US$49,504,000	64	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC	US$9,668,000	64	Manufacture and sale of corn-based sweeteners
Changchun Dihao Foodstuff Development Co., Ltd.* ("Changchun Dihao")	PRC	RMB179,700,000	64	Manufacture and sale of corn-based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC	US$22,200,000	64	Manufacture and sale of crystallised sugar
Changchun Baocheng Biochem Development Co., Ltd.# ("Changchun Baocheng")	PRC	US$49,227,952	100	Manufacture and sale of corn-based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.* ("Dahe")	PRC	US$123,000,000	100	Manufacture and sale of corn-based biochemical products
Changchun Dacheng Special Corn & Modified Starch Development Co., Ltd#	PRC	RMB99,250,000	100	Manufacture and sale of corn-based biochemical products
Changchun GBT Bio-Chemical Co., Ltd.# ("GBT Bio-Chemical")	PRC	US$157,000,000	100	Manufacture and sale of corn-based biochemical products
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.*	PRC	HK$18,000,000	100	Manufacture and sale of corn-based biochemical products

18. SUBSIDIARIES *(Continued)*

Name of subsidiary	Principal place of business and place of incorporation/ registration	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
Changchun Dacheng Bio-tech Development (Dacheng Biotech) Co., Ltd.# ("Dacheng Bio-tech")	PRC	RMB2,066,150,000	100	Manufacture and sale of corn-based biochemical products
Jinzhou Dacheng Food Development Co., Ltd.*	PRC	US$7,770,000	64	Manufacture and sale of corn-based sweetener products
Global Sweeteners Trade Development (Dalian) Co. Ltd.*	PRC	US$9,100,000	64	International trading, exhibition and consultation
Global Sweeteners HFCS (Holding) Limited	Hong Kong	HK$1,000	64	Investment holding
Harbin Dacheng Bio Technology Co., Ltd.#	PRC	RMB303,000,000	100	Manufacture and sale of corn-based sweetener products
Changchun Wanxiang Corn Oil Co., Ltd.#	PRC	HK$28,500,000	79	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.

18. SUBSIDIARIES *(Continued)*

The following table shows the information relating to the Group's main subsidiary that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	GSH	
	2015	2014
	HK$'000	*HK$'000*
Percentage of equity interest held by NCI	**36%**	36%
Revenue and other income	**1,687,010**	3,050,546
Costs and expenses	**(2,434,218)**	(4,132,799)
Income tax expense	**(6,559)**	(10,983)
Loss for the year	**(753,767)**	(1,093,236)
Other comprehensive income (loss)	**8,354**	(20,047)
Total comprehensive loss for the year	**(745,413)**	(1,113,283)
Loss for the year attributable to NCI	**(274,569)**	(399,547)
Total comprehensive income (loss) for the year attributable to NCI	**(264,024)**	(406,686)
Dividends paid to NCI	**–**	–
Current assets	**1,013,409**	1,349,665
Non-current assets	**604,063**	1,378,787
Current liabilities	**(1,141,399)**	(1,125,996)
Non-current liabilities	**(297,586)**	(678,556)
Net assets	**178,487**	923,900
Accumulated balances of NCI	**171,560**	435,584
Net cash flows from (used in):		
Operating activities	**4,751**	316,459
Investing activities	**(14,660)**	96,083
Financing activities	**(117,608)**	(634,350)
Net decrease in cash and cash equivalents	**(127,517)**	(221,808)

The financial statements of the subsidiaries not audited by World Link CPA Limited reflect total assets, total liabilities and total turnover constituting approximately 13%, 11% and 49% respectively of the related consolidated totals.

19. INTERESTS IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Unlisted shares, at costs		
Share of net assets	–	–

Investment in the associate represents 40% (2014: 40%) of the registered and paid-in capital of Changchun Dacheng Hexin Technology Development Co., Ltd. ("Dacheng Hexin"), a company incorporated in PRC and conducts business principally in Mainland China. It is principally engaged in manufacture and sale of botanical straw based sweetener products.

The Group has discontinued the recognition of its share of losses of Dacheng Hexin because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$894,000 (2014: HK$Nil) and HK$4,822,000 (2014: HK$3,928,000), respectively.

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

	2015 HK$'000	2014 HK$'000
Assets	66,623	70,076
Liabilities	79,897	(81,779)
Revenue	–	–
Loss for the year	(2,234)	(3,674)

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	425,855	202,672
Finished goods	303,534	641,157
	729,389	843,829

21. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000 (restated)
Trade receivables	**704,040**	919,292
Bills receivable	**2,411**	78,826
Provision for impairment of trade receivables	**(408,252)**	(416,325)
	298,199	581,793

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:

	2015 HK$'000	2014 HK$'000
Within 1 month	**200,217**	338,134
1 to 2 months	**33,228**	109,693
2 to 3 months	**14,297**	30,395
3 to 6 months	**13,611**	101,356
Over 6 months	**36,846**	2,215
	298,199	581,793

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

	2015 HK$'000	2014 HK$'000 (restated)
At 1 January	**416,325**	167,232
Impairment losses recognised	**30,045**	266,520
Impairment losses reversed	**(6,858)**	(502)
Amount written off as uncollectible	**(13,394)**	(15,482)
Exchange realignment	**(17,866)**	(1,443)
At 31 December	**408,252**	416,325

21. TRADE AND BILLS RECEIVABLES *(Continued)*

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$408,252,000 (2014 as restated: HK$416,325,000). 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:

	2015 HK$'000	2014 HK$'000
Not yet due	**247,742**	478,223
Past due:		
Less than 1 month	**10,449**	57,775
1 to 3 months	**3,162**	45,795
Over 3 months	**36,846**	—
	298,199	581,793

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**808,050**	913,638
Deposits and other receivables	**961,781**	1,033,180
	1,769,831	1,946,818
Non-current portion	**(494,593)**	–
	1,275,238	1,946,818

As at 31 December 2015, deposits and other receivables amounting to approximately HK$756 million (31 December 2014: HK$793 million) was due from 長春大金倉玉米收儲有限公司 Changchun Dajincang Corn Procurement, Ltd. ("Dajincang"), a major supplier of corn kernels. The amount arose from return of corn kernels inventories to Dajincang by two of the Company's subsidiaries, Changchun Dihao and Changchun Baocheng, and a prepayment made by Dahe during the year ended 31 December 2014. Due to the suspension of production in the preparation for the relocation, Changchun Dihao and Changchun Baocheng have returned 218,000 tons of corn kernels with a total cost of approximately HK$628 million to Dajincang at the original purchase price.

On 14 April 2016, members of the Group and the GSH Group entered into agreements with 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Purchaser"), an independent third party, to dispose of, among others, the receivable from Dajincang at an aggregate consideration of approximately RMB845 million (equivalent to HK$1,006 million). With respect to the payment schedule of the consideration, RMB338 million (equivalent to HK$402 million), RMB253.5 million (equivalent to HK$302 million) and RMB253.5 million (equivalent to HK$302 million) is payable on or before 31 December 2016, 31 December 2017 and 31 December 2018 respectively.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represented fair value of insurance products held at the end of the reporting period. Upon initial recognition, the insurance product was designated as financial assets at fair value through profit or loss, which are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

24. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**1,567,426**	718,580
Time deposits	**47,003**	30,109
	1,614,429	748,689
Pledged deposits for security of bills payable	**(47,003)**	(269,909)
	1,567,426	478,780

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$114,511,000 (31 December 2014: HK$559,653,000). The RMB is not freely convertible into other currencies. However, under the PRC 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.

25. TRADE AND BILLS PAYABLES

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

	2015 HK$'000	2014 HK$'000
Within 1 month	**255,456**	829,797
1 to 2 months	**26,150**	55,997
2 to 3 months	**28,529**	15,480
Over 3 months	**1,195,457**	1,099,817
	1,505,592	2,001,091

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

26. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000 (restated)
Payables for purchases of machinery	**240,429**	324,335
Customer deposits/receipts in advance	**248,255**	181,014
Accruals	**257,535**	237,089
Others	**810,243**	506,022
	1,556,462	1,248,460

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

27. INTEREST-BEARING BORROWINGS

	2015			2014		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans – secured	**3.3-7.995**	**2016**	**1,056,681**	5.88-8.0	2015	283,750
Bank loans – unsecured	**4.365-5.75**	**2016**	**3,247,380**	1.7-7.80/ HIBOR+1.5	On demand/ 2015	5,136,250
Long term bank loans repayable on demand – unsecured	**HIBOR+1.5**	**On demand**	**23,888**	HIBOR+1.5 / Higher of 6 months HIBOR+3.3 or bank funding cost + 1.5	On demand	88,438
Entrusted loans – secured	**8.06**	**2016**	**264,286**	9.00	2015	500,000
			4,592,235			6,008,438
Non-current						
Bank loans – secured	**4.78-7.995**	**2018**	**611,071**	8.0	2016 to 2017	212,500
Bank loans – unsecured	**4.78-4.86**	**2020**	**2,947,858**	6.15 to 8.0	2016 to 2020	2,462,500
Other loans – unsecured	**2.55**	**2021**	**5,714**		2018 to 2019	7,488
			3,564,643			2,682,488
			8,156,878			8,690,926

27. INTEREST-BEARING BORROWINGS *(Continued)*

Analysed into:	2015 HK$'000	2014 HK$'000
Bank loans repayable		
Within one year or on demand	**4,592,235**	6,008,438
In the second year	**682,143**	995,000
In the third to fifth years, inclusive	**2,876,786**	1,325,000
Beyond five years	**—**	355,000
	8,151,164	8,683,438
Other borrowings repayable:		
In the third to fifth years, inclusive	**—**	7,488
Beyond five years	**5,714**	—
	5,714	7,488
	8,156,878	8,690,926
Secured	**1,932,038**	996,250
Unsecured	**6,224,840**	7,694,676
	8,156,878	8,690,926
Additional information		
Collaterals pledged for security:		
Carrying value of property, plant and equipment	**2,392,055**	808,577
Carrying value of prepaid land lease payments	**185,395**	320,135
Corporate guarantee by:		
The Company	**6,355,673**	6,533,438
Certain subsidiaries	**937,157**	881,250
Independent third parties	**178,571**	206,250
Relocation compensation receivable to local government	**—**	662,500
Denominated in:		
Renminbi	**8,132,990**	8,602,488
Hong Kong dollars	**23,888**	88,438

28. DEFERRED INCOME

	2015	2014
	HK$'000	*HK$'000*
		(restated)
At beginning of the year, as previously reported	**146,004**	209,747
Prior year adjustment	**5,019**	11,192
As restated	**151,023**	220,939
Amortisation	**(10,646)**	(10,460)
Reversed	**—**	(58,070)
Reclassification	**400**	1,358
Exchange realignment	**(6,766)**	(2,744)
At the end of the reporting period	**134,011**	151,023

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.

29. DEFERRED TAXATION

The movements for the year in the Group's net deferred tax position was as follows:

	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**231,365**	230,304
Exchange differences	**(4,209)**	(931)
Charge to profit or loss	**560**	1,992
Tax credit in other comprehensive income	**(1,283)**	—
At the end of the reporting period	**226,433**	231,365

29. DEFERRED TAXATION *(Continued)*

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	Assets		Liabilities	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation allowances	**–**	–	**43,895**	47,544
Revaluation of properties	**–**	–	**140,664**	141,947
Fair value adjustments arising from acquisition of subsidiaries	**–**	–	**21,416**	21,416
Loss of control of a subsidiary	**–**	–	**3,742**	3,742
Withholding tax on distributable profits of PRC subsidiaries	**–**	–	**16,716**	16,716
Allowance for impairment				
Trade and other receivables	**–**	–	**–**	–
Inventories	**–**	968	**–**	–
Government subsidy	**–**	–	**–**	–
Net deferred tax assets (liabilities)	**–**	968	**226,433**	231,365

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 2015, deferred tax of HK$16,716,000 (2014: 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.

Unrecognised deferred tax assets

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of:

- Accumulated tax losses arising in Hong Kong of approximately HK$556,516,000 (2014: HK$155,360,000) that are available for offsetting against future taxable profits of the companies from which the losses arose. The tax losses do not expire under current tax legislation.

- Accumulated tax losses arising in the PRC subsidiaries of approximately HK$8,114,185,000 (2014: HK$7,018,696,000) which are available for offsetting against future taxable profits of these subsidiaries in one to five years.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

30. CONVERTIBLE BONDS

Subsequent to the completion of the Subscription, convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$1,086,279,565 (the "CB Consideration") which may be converted into 4,722,954,631 conversion shares of the Company (the "Shares") based on the initial conversion price of HK$0.23 (subject to adjustment) per share (the "Initial Conversion Price") upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Under the Subscription Agreement, Modern Agricultural shall have the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the Shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date days before (and excluding) the Maturity Date, provided that the public float of the Shares shall not be less than 25% as required by the Listing Rules.

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group. The liability component of the convertible bonds is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The carrying amounts of above-mentioned convertible bonds recognised at the end of the reporting period were calculated as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Equity component		
Fair value of the entire convertible bonds, at the date of issuance	**1,086,280**	—
Fair value of the liability component, at the date of issuance	**(795,695)**	—
Value of the equity component, at the date of issuance and at end of the reporting period	**290,585**	
Liability component		
Fair value of the liability component	**795,695**	—
Effective imputed interest charged	**10,396**	—
At the end of the reporting period	**806,091**	—

31. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Nominal value *HK$'000*
Authorised:		
At 1 January 2014, 31 December 2014 and 1 January 2015	10,000,000,000	1,000,000
Increase in authorised capital	10,000,000,000	1,000,000
At 31 December 2015	**20,000,000,000**	**2,000,000**
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 1 January 2015	3,263,489,164	326,349
New shares issued	3,135,509,196	313,551
At 31 December 2015	**6,398,998,360**	**639,900**

At the extraordinary general meeting held on 8 October 2015, an ordinary resolution was passed for the increase of authorised share capital of the Company to HK$2,000,000,000 by creating 10,000,000,000 new shares at HK$0.1 each. On 15 October 2015, the issued share capital of the Company was increased to HK$639,900,000 by allotting 3,135,509,196 ordinary shares of HK$0.1 each, for cash, to provide for additional working capital. These shares rank pari passu with the existing shares in all respects.

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.

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:

	2015		2014	
	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$	Number of options '000
At 1 January and 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:

	Grant date	Closing price immediately preceding the grant date HK$	Exercise price HK$	Number of options '000
2015				
Exercisable period				
21.1.2011 to 20.1.2016	21.1.2011	1.24	1.24	3,100
2014				
Exercisable period				
21.1.2011 to 20.1.2016	21.1.2011	1.24	1.24	3,100

Subsequent to the end of the reporting period, all outstanding share options have lapsed on 20 January 2016.

(b) Share option scheme of GSH

Details of the share option scheme of GSH and its movements during the year are included in the annual report of GSH for the year ended 31 December 2015, which is published on the GSH's website: www.global-sweeteners.com and set out in the Report of the Directors on pages 50 to 52 of this annual report.

33. RESERVES

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 68 to 69 of the annual report.

(i) Share premium

The share premium 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 current and prior years.

(ii) Assets revaluation reserve

This reserve comprises all revaluation surplus net of tax in respect of leasehold buildings and is dealt with in accordance with the accounting policy as set out in note 2.

(iii) Convertible bonds reserve

This represents the equity component (conversion right) of the convertible bonds issued (note 30).

(iv) Statutory reserve

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.

(v) Exchange reserve

This comprises all foreign exchange differences arising from the translation of financial statements of foreign operations, which is dealt with in accordance with the accounting policy as set out in note 2.

34. CONTINGENT LIABILITIES

Patent infringement

As at the date of this annual 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.

Infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") and the previous judgment concerning EP '710, and EP 0.733.712 (entitled "Process for Producing Substance") ("EP '712"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

As disclosed in the Company's announcement dated 7 August 2015, the relevant courts in the Netherlands ruled that the Relevant Group Members had infringed three European patents, namely EP 0.733.710 (entitled "Process for Producing L-Lysine by Fermentation"), EP 0.733.712 (entitled "Process for Producing a Substance"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine"), registered in the name of the Plaintiffs by virtue of the offer for sale, import, and/or trading of the Relevant Group Members' L-lysine products in the Netherlands.

The Relevant Group Members had received a demand from the legal advisers of the Plaintiffs for damages of over 2.2 million Euros (the "Claimed Damages") in respect of the infringement. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages was not settled by the Relevant Group Members. It was expected that the Plaintiffs would initiate damages assessment proceedings for assessment of the Claimed Damages. The Plaintiffs have submitted the writ of summons regarding the follow-up proceedings damages assessment to the Court in the Hague, the Netherlands (the "Court") in March 2016. The first hearing is scheduled to be held in June 2016.

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

Reference is made to the Company's announcement dated 18 September 2014. The Relevant Group Members received a judgment dated 10 September 2014 whereby the Court has rejected all the Plaintiffs claim in respect of an alleged infringement of EP '318 by the Relevant Group Members and has allowed part of the counterclaim made by the Relevant Group Members.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiffs are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members amounted to 90,387.05 Euro which payment is immediately enforceable. The Court has also allowed part of the counterclaim made by the Relevant Group Members whereby part of the subject matter of the relevant patent is nullified and the Plaintiff and the Relevant Group Members shall bear their own legal costs in respect of the counterclaim. The Plaintiffs have made an appeal to the Court of Appeal in respect of the judgment. The Relevant Group Members was informed that the decision by the Court of Appeal will be available in May 2016.

34. CONTINGENT LIABILITIES *(Continued)*

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 various suppliers related to overdue trade payables. Up to the date of this report, majority of litigations are already concluded by the court or settled, while some of the litigations with are still pending for judgment. Since the Group already recorded all these trades payable in the financial statements as at 31 December 2015, 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 2015.

Financial guarantee contracts

During November 2010 to March 2015, 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, RMB2.85 billion as at 31 December 2014 and RMB2.85 billion as at 31 December 2015. These financial guarantee contracts were not disclosed as contingent liabilities in the consolidated financial statements in previous years, and were not recognised in the consolidated financial statements as at 31 December 2015 and in previous years. Please refer to the Company's announcement dated 31 March 2015 for details of the financial guarantee contracts.

At 31 December 2015, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$6,335,473,000 (2014: HK$6,533,437,500).

34. CONTINGENT LIABILITIES *(Continued)*

Equipment leasing

Reference is made to the interim report of the Company for the six months ended 30 June 2015. On 5 August 2015, the management was notified that a subsidiary of the Company, GBT Bio-Chemical. had entered into an equipment leasing agreement (the "Lease") with the Finance Bureau of Changchun for the lease of certain machineries and equipment on 30 December 2014, the terms of the lease are 20 years with the total lease fee amounted to approximately RMB672 million. The aforesaid assets are related to those assets with the resumption amount of RMB560 million mentioned in announcement on 7 May 2014 "Major transaction in relation to resumption of buildings, machineries and fixtures". The Group has not assessed and recognised the operating lease expenses and liabilities in respect of the Lease in its financial statements for the year ended 31 December 2014 and 2015.

The Lease had been unilaterally terminated by GBT Bio-Chemical on 15 March 2016. Taken into account the PRC legal advice sought by the Board and the ongoing communication with the Finance Bureau of Changchun in relation to the termination of Lease, the Board considers that the chance of litigation is remote. As of the date of these consolidated financial statements, no assessment has been made on the possible damages for the termination of the Lease.

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.

35. COMMITMENTS

Capital expenditure commitments

	2015 ***HK$'000***	2014 *HK$'000*
Contracted but not provided for acquisition of:		
Production facilities and buildings	**501,315**	303,016

36. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	**Nature of transaction**	*Note*	**2015** *HK$'000*	2014 *HK$'000*
Key management personnel	Short term employee benefits		**1,045**	963
	Post-employment benefits		**7**	53
			1,052	1,016
Associate	Sale of electricity and water	*(i)*	**–**	297
A related company with common director of the Group	Purchase of equipment	*(ii)*	**–**	20,482

Notes:

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

(ii) 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.

(b) Balances with related parties

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

	2015 *HK$'000*	2014 *HK$'000*
Due from an associate	**23,104**	21,320
Due to a related party	**148**	48,907

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.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Assets at fair value through profit or loss		Loans and receivables at amortised costs		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets						
Trade and bills receivables	**–**	–	**298,199**	581,793	**298,199**	581,793
Prepayments, deposits and other receivables	**–**	–	**961,781**	1,033,180	**961,781**	1,033,180
Due from an associate	**–**	–	**23,104**	21,320	**23,104**	21,320
Equity investments at fair value through profit or loss	**33,300**	35,617	**–**	–	**33,300**	35,617
Pledged deposits	**–**	–	**47,003**	269,909	**47,003**	269,909
Cash and cash equivalents	**–**	–	**1,567,426**	478,780	**1,567,426**	478,780
	33,300	35,617	**2,897,513**	2,384,982	**2,930,813**	2,420,599

	Liabilities at amortised costs Total	
	2015	2014
	HK$'000	*HK$'000*
Financial liabilities		
Trade and bills payables	**1,505,592**	2,001,091
Other payables and accruals	**1,456,698**	1,065,290
Interest-bearing borrowings	**8,156,878**	8,690,926
Convertible bonds — liabilities portion	**806,091**	—
	11,925,259	11,757,307

38. FAIR VALUE MEASUREMENTS

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

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

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

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

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.

38. FAIR VALUE MEASUREMENTS *(Continued)*

Assets and liabilities measured at fair value

	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
2015			
Assets measured at fair value			
Equity investments at fair value through profit or loss	**33,300**	**—**	**33,300**
Leasehold buildings	**—**	**4,019,397**	**4,019,397**
	33,300	**4,019,397**	**4,052,697**
2014 (restated)			
Assets measured at fair value			
Equity investments at fair value through profit or loss	35,617	—	35,617
Leasehold buildings	—	5,504,426	5,504,426
	35,617	5,504,426	5,540,043

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements (2014: HK$Nil), and no transfers into and out of Level 3 fair value measurements (2014: HK$Nil).

Description of the valuation techniques and inputs used in Level 2 fair value measurement

The valuation technique used to determine the fair value of the insurance products included in equity investments at fair value through profit or loss is the discounting cash flow based methodologies which is the estimated amount that the Group would receive or pay to terminate the insurance policies at the end of reporting period, taking into account observable interest rates.

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

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 2015 by Savills Valuation and Professional Services Limited, independent professional qualified valuers, at an aggregate open market value of HK$4,019,397,000 based on their existing use. A deficit on revaluation approximately HK$5,834,000 after income tax effect is arisen therefrom, among which, a deficit of HK$7,833,000 has been charged to asset revaluation reserve attributable to the owner of the parent of the Group and a credit of HK$1,999,000 is attributable to non-controlling interests during the year ended 31 December 2015. 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.

38. FAIR VALUE MEASUREMENTS *(Continued)*

	Industrial properties *HK$'000*
Carrying amount at 1 January 2015	5,504,426
Addition and transfer from construction in-progress	81,874
Depreciation for the year	(158,105)
Reclassified as held for sale	(1,154,856)
Disposal	(12,112)
Revaluation	(7,117)
Exchange realignment	(234,713)
At the end of the reporting period	4,019,397

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	DRC approach	a. Construction cost (RMB/sq.m.) b. Administrative expense rate c. Developer's profit margin d. Interest rate e. Rate of newness	a. 550 to 6,910 b. 3.4% c. 8% to 10% d. 4.35% to 4.75% e. 47% 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 physical deterioration, functional obsolescence and economic 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.

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 and convertible bonds.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for hedging or 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.

At the end of the reporting period, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's loss before tax would increase/decrease by HK$59,634,000 (2014: HK$66,947,000). The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2014.

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 Group's other financial assets comprise trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from an associate and cash and cash equivalents. Credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group 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.

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

Credit risk *(Continued)*

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 21 and 22 to the financial statements.

Liquidity risk

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

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

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

	On demand *HK$'000*	Within 3 months *HK$'000*	3 to 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
2015						
Trade and bills payables	**1,505,592**	**–**	**–**	**–**	**–**	**1,505,592**
Other payables and accruals	**1,456,698**	**–**	**–**	**–**	**–**	**1,456,698**
Interest-bearing borrowings	**23,888**	**2,332,634**	**2,235,713**	**3,558,929**	**5,714**	**8,156,878**
Convertible bonds	**–**	**–**	**–**	**1,086,280**	**–**	**1,086,280**
	2,986,178	**2,332,634**	**2,235,713**	**4,645,209**	**5,714**	**12,205,448**
2014						
Trade and bills payables	2,001,091	–	–	–	–	2,001,091
Other payables and accruals	828,201	237,089	–	–	–	1,065,290
Interest-bearing borrowings	94,474	817,825	5,294,463	2,736,127	229,737	9,172,626
	2,923,766	1,054,914	5,294,463	2,736,127	229,737	12,239,007

Note:

Included in interest-bearing borrowings of the Group are term loans in the amount of HK$23,888,000 (2014: HK$83,888,000). 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".

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

40. LITIGATION

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.

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. EVENTS AFTER THE REPORTING PERIOD

Proposed disposal of lands and buildings in Changchun and disposal of receivables, inventories and tools by the Group and the GSH Group

Reference is made to the joint announcement of the Company and GSH dated 14 April 2016 (the "April Announcement"), in relation to, among others, the proposed disposal of lands and buildings in Changchun and disposal of trade and other receivables, inventories and tools by the Group and the GSH Group. As detailed in the April Announcement, pursuant to a property disposal agreement ("First Property Disposal Agreement), members of the Group have conditionally agreed to sell, and Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Purchaser") has conditionally agreed to purchase, the seven pieces of land situated at the east side of Xuhuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at the aggregate cash consideration of RMB1,641,610,000. Pursuant to another property disposal agreement ("Second Property Disposal Agreement", together with the First Property Disposal Agreement, the "Property Disposal Agreements"), members of the GSH Group have also conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the five pieces of land situated at the east side of Xuhuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at an aggregate cash consideration of RMB558,390,000.

In addition, pursuant to an asset disposal agreement ("First Asset Disposal Agreement"), members of the Group have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the prepayments made by, the trade and other receivables owed to, or the inventories and tools, including coal, production materials, packaging materials and tools for production of polyol chemicals owned by members of the Group at the aggregate cash consideration of RMB673,106,000. Pursuant to another asset disposal agreement ("Second Asset Disposal Agreement", together with the First Asset Disposal Agreement, the "Asset Disposal Agreements"), members of the GSH Group have also conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the prepayments made by or the trade and other receivables owed to members of the GSH Group at an aggregate cash consideration of RMB171,526,000.

Pursuant to Rule 14.07 of the Listing Rules, the Property Disposal Agreements, the Asset Disposal Agreements and the respective transactions contemplated thereunder constitute very substantial disposals for the Company that is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Likewise, the Second Property Disposal Agreement, the Second Asset Disposal Agreement and the respective transactions contemplated thereunder constitute very substantial disposals for GSH that is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

42. COMPARATIVE FIGURES

The Group

Comparative figures of deferred income, revaluation reserve and statutory reserve of the Group have been adjusted or reclassified as disclosed in the consolidated statement of changes in equity.

The Company

Comparative figure of financial guarantee contracts as at 31 December 2014 of the Company has been adjusted as a result of the retrospective restatement arisen from fair value assessment of financial guarantee contracts in respect of the financial guarantees granted to banks in connection with facilities granted to the Company's subsidiaries.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	31 December 2015 ***HK$'000***	31 December 2014 *HK$'000* (restated)	1 January 2014 *HK$'000*
Non-current assets			
Investments in subsidiaries *(note 18)*	**—**	1,663,142	1,219,070
Due from subsidiaries	**—**	2,968,319	2,930,090
	—	4,631,461	4,149,160
Current assets			
Derivative financial instruments	**—**	—	19,021
Other receivables	**543**	358	359
Cash and cash equivalents	**1,258,313**	41,008	133,259
	1,258,856	41,366	152,639
Current liabilities			
Bonds	**—**	—	44,483
Other payables and accruals	**12,207**	6,881	9,870
	12,207	6,881	54,353
Net current assets	**1,246,649**	34,485	98,286
Total assets less current liabilities	**1,246,649**	4,665,946	4,247,446
Non-current liabilities			
Financial guarantee contracts	**1,235,685**	1,150,479	706,407
Convertible bonds	**806,091**	—	—
	2,041,776	1,150,479	706,407
NET (LIABILITIES) ASSETS	**(795,127)**	3,515,467	3,541,039
Capital and reserves			
Share capital	**639,900**	326,349	326,349
Reserves	**(1,435,027)**	3,189,118	3,214,690
TOTAL (DEFICITS) EQUITY	**(795,127)**	3,515,467	3,541,039

Approved and authorised for issue by the Board of Directors on 25 April 2016 and signed on its behalf by

Chairman
Wang Qiu

Director
Liu Fang

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movements of the reserves of the Company

	Share premium HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014	2,719,588	1,087	–	494,015	3,214,690
Loss for the year	–	–	–	(25,572)	(25,572)
Transaction with owners					
Contributions and distributions					
Equity-settled share option arrangement	–	(295)	–	295	–
At 31 December 2014	2,719,588	792	–	468,738	3,189,118
At 1 January 2015	2,719,588	792	–	468,738	3,189,118
Loss for the year	–	–	–	(5,322,346)	(5,322,346)
Transaction with owners					
Contributions and distributions					
Issue of share capital	407,616	–	–	–	407,616
Issue of convertible bonds	–	–	290,585	–	290,585
At 31 December 2015	**3,127,204**	**792**	**290,585**	**(4,853,608)**	**(1,435,027)**

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				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	(restated)	(restated)
RESULTS					
REVENUE	**3,352,003**	6,399,205	9,686,643	11,908,082	14,299,490
Cost of sales	**(3,610,572)**	(7,288,927)	(10,587,530)	(10,376,091)	(10,944,789)
Gross profit/(loss)	**(258,569)**	(889,722)	(900,887)	1,531,991	3,354,701
Other income and gains	**138,529**	432,346	590,287	109,475	134,923
Gain on loss of control of a subsidiary	**–**	–	–	–	14,969
Selling and distribution expenses	**(177,468)**	(551,339)	(762,459)	(770,380)	(719,618)
Administrative expenses	**(383,037)**	(405,464)	(717,477)	(458,799)	(438,090)
Other expenses	**(1,068,660)**	(1,664,116)	(3,520,221)	(367,371)	(103,600)
Finance costs	**(515,873)**	(628,318)	(673,399)	(585,295)	(521,920)
Share of losses of joint ventures	**–**	–	–	(1,324)	(2,598)
Share of losses of associates	**–**	–	(27,899)	(9,346)	(742)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(2,265,078)**	(3,706,613)	(6,012,055)	(551,049)	1,718,025
Income tax expense	**(5,461)**	(58,067)	(222,584)	(11,062)	(335,969)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(2,270,539)**	(3,764,680)	(6,234,639)	(562,111)	1,382,056
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	(5,397)	(119,819)	(1,846)
PROFIT/(LOSS) FOR THE YEAR	**(2,270,539)**	(3,764,680)	(6,240,036)	(681,930)	1,380,210
Profit/(loss) attributable to:					
Owners of the parent	**(1,995,970)**	(3,365,133)	(6,078,859)	(552,270)	1,312,036
Non-controlling interests	**(274,569)**	(399,547)	(161,177)	(129,660)	68,174
	(2,270,539)	(3,764,680)	(6,240,036)	(681,930)	1,380,210
TOTAL ASSETS	**12,579,801**	13,756,393	18,784,740	22,934,334	23,750,728
TOTAL LIABILITIES	**(12,555,725)**	(12,505,678)	(13,703,262)	(11,711,826)	(11,906,095)
NON-CONTROLLING INTERESTS	**(171,560)**	(435,584)	(842,270)	(1,568,007)	(1,679,417)
	(147,484)	815,131	4,239,208	9,654,501	10,165,216