GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED
大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015 AND RESUMPTION OF TRADING

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

* *for identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Global Bio-chem Technology Group Company Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 (the "**Year**"), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
REVENUE	4	**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	4	**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	6	**(515,873)**	(628,318)
LOSS BEFORE TAX	5	**(2,265,078)**	(3,706,613)
Income tax expense	7	**(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)

	Notes	2015 HK$'000	2014 HK$'000 (restated)
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	*9*		
Basic		**HK$(0.51)**	HK$(1.03)
Diluted		**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		**6,301,975**	8,762,369	9,527,647
Prepaid land lease payments		**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		**—**	106,308	344,553
Intangible assets		**5,410**	5,424	5,434
Other receivables	*13*	**494,593**	—	—
Deferred tax assets		**—**	968	25,153
Interests in an associate		**—**	—	—
		7,256,435	9,578,327	10,724,616
Current assets				
Non-current assets held for sale	*10*	**1,349,707**	—	759,480
Inventories	*11*	**729,389**	843,829	3,341,568
Trade and bills receivables	*12*	**298,199**	581,793	1,419,257
Prepayments, deposits and other receivables	*13*	**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		**33,300**	35,617	93,581
Derivative financial instruments		**—**	—	19,021
Pledged deposits	*14*	**47,003**	269,909	133,996
Cash and cash equivalents	*14*	**1,567,426**	478,780	1,309,997
		5,323,366	4,178,066	8,060,124
Current liabilities				
Trade and bills payables	*15*	**1,505,592**	2,001,091	2,225,258
Other payables and accruals		**1,556,462**	1,248,460	1,065,351
Interest-bearing borrowings		**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

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000 (restated)	1 January 2014 HK$'000 (restated)
Non-current liabilities				
Interest-bearing borrowings		**3,564,643**	2,682,488	4,798,173
Deferred income		**134,011**	151,023	220,939
Deferred taxation		**226,433**	231,365	230,304
Convertible bonds		**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	*16*	**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

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 which are measured at revalued amount, financial assets at fair value through profit or loss and financial guarantee contracts which are measured at fair value.

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 1) to lower the interest rate for the bank borrowings; 2) not to withdraw any banking facilities then obtained; and 3) 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.

(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.

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.

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.

(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.

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.

Future changes in HKFRSs

At the date of authorisation of this announcement, 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.

3. 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.

(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)

(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**
Write down (Reversal) of 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**

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.

4. 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.

5. LOSS BEFORE TAX

This is stated after charging (crediting):

	2015	2014
	HK$'000	*HK$'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

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'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

7. 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	2014
	HK$'000	*HK$'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

8. DIVIDENDS

The Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

9. 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 *HK$'000*	2014 *HK$'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 amounts.

10. 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.

11. INVENTORIES

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

12. 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	2014
	HK$'000	*HK$'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	2014
	HK$'000	*HK$'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

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	2014
	HK$'000	*HK$'000*
Not yet due	**247,742**	478,223
Past due:		
Less than 1 month	**10,449**	57,775
1 to 3 months	**3,161**	45,795
Over 3 months	**36,847**	—
	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.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'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 Food Stuff Development Co. Ltd., ("Changchun Dihao") and Changchun Baocheng Bio-chem Development Co. Ltd., ("Changchun Baocheng"), and a prepayment made by Changchun Dahe Bio Technology Development Co., Ltd. ("Changchun 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). Payment of the consideration will be made by three instalments: 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.

14. CASH AND CASH EQUIVALENTS

	2015	2014
	HK$'000	*HK$'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.

15. 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	2014
	HK$'000	*HK$'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.

16. 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from World Link CPA Limited, the external auditor (the "Auditor") of the Company, on the Group's consolidated financial statements for the Year.

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.

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. The Group's management to date has 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.

Other receivables

Included in the Group's prepayments, deposits and other receivable balance as at 31 December 2014 was an outstanding prepayment made to and other receivable from a major supplier for the purchases of corn kernels with a total amount of HK$793 million. Included in this amount, HK$628 million arose from the return of certain corn kernels to the supplier recorded by the Group during 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 2015, 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

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 this announcement 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.

UPDATE ON REMEDIAL MEASURES

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 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 Company's annual report for the year ended 31 December 2014 ("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.

During the audit of the 2015 Financial Statements, the Auditor 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 Auditors was unable to ascertain whether the impairment assessment conducted was adequate.

As disclosed in the Company's joint announcement with GSH dated 14 April 2016, 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, 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 Dajincang 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 announcement 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 announcement amounted to RMB2,490 million (approximately HK$2,972 million) (31 December 2014: RMB2,490 million).

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 GBTA and 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 be materially affected 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.

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, receivable 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 Company's joint announcement with GSH dated 14 April 2016, 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.

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 Company 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 HKAS 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 2014 and 2015 in this report.

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 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 Company's joint announcement with GSH dated 14 April 2016, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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.

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, 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 a major 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. 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.

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: HK582 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.

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.

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.

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 bank and other 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.

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.

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 announcement.

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

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 Plaintiff 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 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 in The Hague, the Netherlands (the "Court") has rejected all the Plaintiff's 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 Plaintiff 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.

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.

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 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, 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 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 this announcement, 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 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 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 吉林省大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.

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.

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 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement, Ltd., "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 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.

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.

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 R&D 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 will enter into the First Property Disposal Agreement and the First Asset Disposal Agreement; and GSH will enter 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.

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

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

FINAL DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

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

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. The Company subsequently appointed Ms. Chiu Lai Ling Shirley as an independent non-executive Director and, among others, a member 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.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors namely Mr. Ng Kwok Pong (the chairman of the committee), Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley. 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.

The Group's annual results for the Year have been reviewed by the Audit Committee.

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

Change of auditor of the Company

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 annual general meeting 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.

ANNUAL GENERAL MEETING

The 2015 annual general meeting of the Company will be held at Admiralty Conference Centre, Room 1804A, 18/F., Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 6 June 2016 at 11:15 a.m.. Notice of the 2015 annual general meeting will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 2 June 2016 to Monday, 6 June 2016, both days inclusive, during which period no transfer of shares will be registered in order to determine the entitlements to the attendance at the annual general meeting.

Shareholders are reminded that in order to qualify for the attendance at the annual general meeting, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 June 2016.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by the Listing Rules, will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.globalbiochem.com) in due course.

SCOPE OF WORK OF WORLD LINK CPA LIMITED

The figures in respect of this announcement have been agreed by the Group's auditor, World Link CPA Limited, ("World Link"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2015. The work performed by World Link in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standard on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by World Link on this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 26 April 2016.

By order of the Board
Global Bio-chem Technology Group Company Limited
Wang Qiu
Chairman

Hong Kong, 25 April 2016

As at the date of this announcement, the board of Directors comprises four executive Directors, namely, Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang and Ms. Liu Fang; two non-executive Directors, namely, Mr. Qiu Zhuang and Mr. Xing Lizhu; and three independent non-executive Directors, namely Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.