



- A better life ... from corn based biochemical products



Global Bio-chem Technology Group Company Limited

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Corporate Information

Board of Directors

Liu Xiaoming	(Chairman)
Xu Zhouwen	(Executive Director)
Kong Zhanpeng	(Executive Director)
Wang Tieguang	(Executive Director)
Patrick E Bowe	(Non-Executive Director)
Steven C Wellington	(Alternate Director of Patrick E Bowe)
Lee Yuen Kwong*	(Independent Non-Executive Director)
Chan Man Hon, Eric*	(Independent Non-Executive Director)

* Audit Committee Members

Company Secretary

Ng Wai Kee *FHKSA, FCCA*

Registered Office

Century Yard, Cricket Square
Hutchins Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business in Hong Kong

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Legal Advisers

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Principal Bankers

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

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

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

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
36C Bermuda House
3rd Floor, British American Tower
Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Website

www.globalbiochem.com

Stock Code: 0809

“ **Satisfactory results...** attributed to the **joint effort** of our outstanding management team and devoted staff, as well as the **long-range corporate strategies** upheld by the Group ”

	Six months ended 30 June	
	2002 HK\$'m	2001 HK\$'m
Turnover	686	686
Net Profit from ordinary activities attributable to shareholders	174	164
Basic earnings per share	HK9.2 cents	HK11.9 cents*
Interim dividend per share	HK1.5 cents	HK1.25 cents*

* As adjusted for one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002.

Chairman's Message

ENCOURAGING INTERIM PERFORMANCE REAPING REWARDS OF FUTURE EXPANSION

During the first half of the year, the Group achieved satisfactory results with turnover and net profit reaching HK\$686 million and HK\$174 million respectively. The Group's overall gross profit margin remained at a high level of 40%, experiencing no downward adjustment despite the drop in the selling prices of certain products. All of these were attributed to the joint effort of our outstanding management team and devoted staff, as well as the long-range corporate strategies upheld by the Group.

EXPANSION OF LYSINE BUSINESS

The expansion in production of lysine, a biochemical product with high profit margin, was another main reason for the satisfactory results. The second lysine production facility with an annual capacity of 25,000 metric tonnes commenced operation in mid-April of the second quarter, which was three months ahead of schedule, thereby lifting the Group's annual lysine production capacity from 15,000 metric tonnes to 40,000 metric tonnes. Although changes in the market led to a decrease in the price of lysine from the recent high of RMB20,000 to RMB22,000 per metric tonne in 2001 to between RMB14,500 and RMB16,000 per metric tonne in the third quarter in 2002, the sales of lysine in the first half of the year increased from approximately 6,600 metric tonnes to 12,000 metric tonnes compared to the corresponding period last year, representing an increase of 84% with gross profit margin remaining at 53%.

It is expected that the Group's overall gross profit margin will remain at a high level in the second half of the year. The total production capacity and sales of lysine for the entire year will increase from approximately 13,000 metric tonnes of last year to 30,000 metric tonnes, and its price has currently increased to RMB15,500 per metric tonnes. Furthermore, the Group has been appointed by the Management Committee of National Animal Feed Engineering Technology Research Centre to establish the only "National Animal Feed Engineering Technology Research Centre - Lysine Specialised Centre" in the People's Republic of China (the "PRC"). The centre is expected not only to facilitate the development and business expansion of lysine products, but also to bring positive effects to the sales of lysine of the Group.

GLOBALISATION OF CORN SWEETENER BUSINESS

The 100,000-metric-tonne High Fructose Corn Syrup ("HFCS") refinery in Shanghai, a joint venture established with Cargill, Inc. ("Cargill"), a United States ("US") partner, was put into production and commenced sales in July.

The completion of these two projects lays a solid foundation for further development of downstream biochemical products by the Group, and it generates a new impetus for the growth of profit of the Group in the second half of the year.

During the third quarter, the Group's second corn refinery with an annual processing capacity of 600,000 metric tonnes was also completed and put into operation. This can ensure a stable and a highly cost effective supply of corn starch feedstock for downstream biochemical products.

THE ONLY PRC HFCS MANUFACTURER RECOGNISED BY INTERNATIONAL BEVERAGE GROUPS

The joint venture HFCS refinery in Shanghai has made the Group presently the only PRC HFCS manufacturer with commercial production capacity and with its product quality recognised by international beverage groups. Currently, the Group is actively approaching a number of multinational food and beverage enterprises, which have factories in the PRC, for sales contracts. Although commercial operation has just begun over a month ago, the joint venture refinery in Shanghai has already started the provision of HFCS to beverage factories in Shanghai and other regions.

Under business alliances with international companies, the Group's technology, management level and market position will be recognised further in the corn based biochemical manufacturing industry in the PRC as well as in the Asia Pacific region. The Group is ready to step forward towards international markets.

ADHERING TO LONG-RANGE CORPORATE STRATEGIES PROMOTING CORPORATE VALUE AND REWARDING SHAREHOLDERS

We believe that corn based biochemical products can be applied extensively in everyday life, thus improving the living standard and creating a better life. In this regard, the Group has formulated long-range corporate strategies to increase the weight of high value-added downstream products continuously. This strategy was reflected in the expansion of production capacity of lysine and the commencement of production of HFCS. For the second half of the year, the Group will actively map out another corn based biochemical project - glutamic acid.

We strongly believe that adhering to long-range corporate strategies is the best way to promote corporate value and reward our shareholders. The Group will strive to become the largest integrated corn based biochemical products manufacturer in the Asian Pacific region.

On behalf of the Group, I would like to extend my heartfelt thanks to all shareholders, customers, business partners and staff who have always been so supportive to the Group.

Liu Xiaoming
Chairman

29 August 2002

Condensed Consolidated Profit and Loss Account

The Board of Directors ("Board" or "Directors") of Global Bio-chem Technology Group Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2002 (the "Period"). The unaudited consolidated results had been reviewed by the Company's auditors, Ernst & Young and the Company's audit committee (the "Audit Committee").

	Notes	Six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER	2	686,272	686,065
Cost of sales		(409,966)	(412,977)
Gross profit		276,306	273,088
Other revenue		3,023	3,894
Selling and distribution expenses		(20,514)	(22,685)
Administrative expenses		(29,900)	(24,217)
Other operating expenses		(9,730)	(9,306)
PROFIT FROM OPERATING ACTIVITIES	4	219,185	220,774
Finance costs	5	(4,862)	(23,306)
PROFIT BEFORE TAX		214,323	197,468
Tax	6	(17,196)	(10,358)
PROFIT BEFORE MINORITY INTERESTS		197,127	187,110
Minority interests		(23,319)	(22,882)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		173,808	164,228
DIVIDENDS	7	28,892	19,200
EARNINGS PER SHARE	8		
— Basic		HK9.2 cents	HK11.9 cents
— Diluted		HK8.7 cents	HK11.8 cents

Condensed Consolidated Statement of Changes in Equity

	Fixed assets							Total equity
	Issued capital	Share premium	revaluation reserve	Statutory reserve fund	Retained profits	Proposed dividends		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2002 (Audited)	154,330	590,950	7,204	5,656	635,011	30,897	1,424,048	
Issue of shares	38,281	69,698	—	—	—	—	107,979	
Bonus issue of shares	—	(31,649)	—	—	—	—	(31,649)	
Net profit for the Period	—	—	—	—	173,808	—	173,808	
Final dividend paid	—	—	—	—	—	(30,897)	(30,897)	
Proposed interim dividend	—	—	—	—	(28,892)	28,892	—	
At 30 June 2002 (Unaudited)	192,611	628,999	7,204	5,656	779,927	28,892	1,643,289	

	Fixed assets							Total equity
	Issued capital	Share premium	revaluation reserve	Statutory reserve fund	Retained profits	Proposed dividends		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2001 (Audited)	200	—	6,151	5,656	355,030	—	367,037	
Issue of shares	127,800	294,400	—	—	—	—	422,200	
Capitalisation issue	—	(95,800)	—	—	—	—	(95,800)	
Share issue expenses	—	(47,999)	—	—	—	—	(47,999)	
Net profit for the period	—	—	—	—	164,228	—	164,228	
Proposed interim dividend	—	—	—	—	(19,200)	19,200	—	
At 30 June 2001 (Unaudited)	128,000	150,601	6,151	5,656	500,058	19,200	809,666	

Condensed Consolidated Balance Sheet

	Notes	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		1,321,003	1,107,147
Deposits for fixed assets		84,112	—
Interests in jointly-controlled entities		43,922	42,906
		1,449,037	1,150,053
CURRENT ASSETS			
Prepayments, deposits and other receivables		80,268	65,347
Inventories		138,165	143,337
Trade receivables	9	263,867	258,443
Pledged time deposits		35,458	61,554
Cash and cash equivalents		450,875	349,841
		968,633	878,522
CURRENT LIABILITIES			
Interest-bearing bank loans, secured		296,639	188,305
Trade payables	10	57,722	45,940
Other payables and accruals		56,853	85,558
Tax payables		17,520	23,558
		428,734	343,361
NET CURRENT ASSETS		539,899	535,161
TOTAL ASSETS LESS CURRENT LIABILITIES		1,988,936	1,685,214
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		150,829	58,826
MINORITY INTERESTS		194,818	202,340
		1,643,289	1,424,048
CAPITAL AND RESERVES			
Issued capital	11	192,611	154,330
Reserves		1,421,786	1,238,821
Proposed dividends		28,892	30,897
		1,643,289	1,424,048

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) Restated HK\$'000
Net cash inflow from operating activities	190,808	197,502
Net cash outflow from investing activities	(321,405)	(243,268)
Net cash inflow from financing activities	205,535	380,093
INCREASE IN CASH AND CASH EQUIVALENTS	74,938	334,327
Cash and cash equivalents at beginning of period	411,395	95,731
CASH AND CASH EQUIVALENTS AT END OF PERIOD	486,333	430,058
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	185,730	430,058
Non-pledged time deposits with original maturity of less than three months when acquired	265,145	—
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	35,458	—
	486,333	430,058

Notes to Condensed Consolidated Financial Statements

30 June 2002

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the Period of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 2.125 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The comparative unaudited condensed combined interim financial statements have been prepared using the merger basis of accounting in accordance with SSAP 2.127 "Accounting for group reconstructions" as a result of the Group reorganisation completed on 1 March 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial period presented, rather than from the date of its acquisition of subsidiaries. Accordingly, the comparative unaudited condensed combined results of the Group include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation or establishment, where this is a shorter period.

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2001, except for the adoption of the following revised and new SSAPs which are effective for the first time for the Period:

SSAP 2.101 (Revised)	:	Presentation of financial statements
SSAP 2.111 (Revised)	:	Foreign currency translation
SSAP 2.115 (Revised)	:	Cash flow statements
SSAP 2.125 (Revised)	:	Interim financial reporting
SSAP 2.133	:	Discontinuing operations
SSAP 2.134	:	Employee benefits

SSAP 2.101 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 2.111 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries and associates operating in the PRC and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the

Notes to Condensed Consolidated Financial Statements

30 June 2002

calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the Period is not significant.

SSAP 2.115 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of cash flow statement which classifies cash flows during the Period into operating, investing and financing activities. The condensed consolidated cash flow statements for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 2.125 (Revised) prescribes the presentation and disclosures following changes in SSAP 2.101 (Revised) and SSAP 2.115 (Revised). The condensed consolidated financial statements for the Period and comparative figures have been presented in accordance with these revised SSAPs.

SSAP 2.133 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on the condensed consolidated financial statements.

SSAP 2.134 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Period. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provided. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments.

Notes to Condensed Consolidated Financial Statements

30 June 2002

(a) Business segments

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	323,869	376,687	362,403	309,378	—	—	686,272	686,065
Intersegment sales	127,000	117,308	—	—	(127,000)	(117,308)	—	—
Total revenue	450,869	493,995	362,403	309,378	(127,000)	(117,308)	686,272	686,065
Segment results	85,717	94,471	139,800	124,195	—	1,835	225,517	220,501
Unallocated revenue							3,023	3,894
Unallocated expenses							(9,355)	(3,621)
Profit from operating activities							219,185	220,774
Finance costs							(4,862)	(23,306)
Profit before tax							214,323	197,468
Tax							(17,196)	(10,358)
Profit before minority interests							197,127	187,110
Minority interests							(23,319)	(22,882)
Net profit from ordinary activities attributable to shareholders							173,808	164,228

(b) Geographical segments

Over 90% of the Group's revenue and results were derived from customers based in the PRC.

Notes to Condensed Consolidated Financial Statements

30 June 2002

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	409,966	412,977
Depreciation	26,958	19,738
Share of profit of a jointly-controlled entity	(5)	—
Interest income	(3,018)	(3,894)

5. FINANCE COSTS

	Six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans:		
Wholly repayable within five years	8,362	23,952
Repayable beyond five years	761	—
Interest on trust receipt loans, wholly repayable within five years	271	—
	9,394	23,952
Less: Interest capitalised	(4,532)	(646)
	4,862	23,306

Notes to Condensed Consolidated Financial Statements

30 June 2002

6. TAX

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	917	—
Elsewhere	16,279	10,358
Tax charge for the Period	17,196	10,358

Hong Kong profits tax had been provided at the rate of 16% (2001: Nil) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2001: Nil).

7. DIVIDENDS

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Proposed interim dividend of HK1.5 cents (2001: HK1.25 cents as adjusted for the bonus issue of shares on 23 April 2002) per ordinary share	28,892	19,200

The Directors propose the payment of an interim dividend of HK1.5 cents (2001: HK1.25 cents as adjusted for the bonus issue of shares on 23 April 2002) per ordinary share in respect of the Period to shareholders on the register of members on 2 October 2002.

The prior period's number of shares in issue for the calculation of interim dividend has been adjusted for one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002.

30 June 2002

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$173,808,000 (2001: HK\$164,228,000) and the weighted average number of 1,880,645,515 (2001: 1,381,127,071 (restated)) ordinary shares in issue during the Period, as adjusted to reflect the bonus issue during the Period, with one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002.

The calculation of diluted earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$173,808,000 (2001: HK\$164,228,000) and on 1,998,966,904 (2001: 1,386,234,763 (restated)) ordinary shares, assumed to have been issued at no consideration, adjusted for the bonus issue, with one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002, and on the deemed exercise of all share options during the Period.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
1 - 30 days	133,225	150,055
31 - 60 days	108,010	94,925
61 - 90 days	22,632	13,463
	263,867	258,443

Notes to Condensed Consolidated Financial Statements

30 June 2002

10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
1 - 30 days	42,778	36,112
31 - 60 days	11,999	9,675
61 - 90 days	2,945	153
	57,722	45,940

11. ISSUED CAPITAL

The following is a summary of the authorised share capital and the movements in the issued share capital of the Company:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2001 : 3,000,000,000) ordinary shares of HK\$0.10 each	1,000,000	300,000
Issued and fully paid:		
1,926,105,600 (31 December 2001 : 1,543,296,000) ordinary shares of HK\$0.10 each	192,611	154,330

	Number of issued shares '000	Par value HK\$'000
Issued share capital as at 1 January 2002 (Audited)	1,543,296	154,330
Bonus issue of shares	316,487	31,649
Exercise of share options	66,323	6,632
Share capital as at 30 June 2002 (Unaudited)	1,926,106	192,611

Notes to Condensed Consolidated Financial Statements

30 June 2002

12. RELATED PARTY TRANSACTIONS

	Six months ended	
	30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Purchases of raw materials from Jilin Province Jiliang Shuang Lung Cereal Warehouse ("Jilin Warehouse")	—	3,252

Jilin Province Jiliang Cereal Group Co. Ltd., a minority shareholder with a 15% interest in a subsidiary of the Company, is the holding company of Jilin Warehouse.

In the opinion of the Directors, the purchases of raw materials from Jilin Warehouse were carried out in the ordinary course of business of the Group and were effected on prices and terms similar to other suppliers.

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

At 30 June 2002, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$169,389,000 (31 December 2001: HK\$33,150,000).

14. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings ranges from 1 to 50 years.

At 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	662	489
In the second to fifth years, inclusive	1,653	965
After five years	9,485	9,379
	11,800	10,833

Notes to Condensed Consolidated Financial Statements

30 June 2002

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had capital commitments as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Leasehold buildings, contracted for	43,558	128,830
Plant and machinery, contracted for	49,575	115,352
	93,133	244,182

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the Period's presentation.



To the board of directors

Global Bio-chem Technology Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report for the six months ended 30 June 2002 set out on pages 6 to 18.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 2.125 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

Ernst & Young

Certified Public Accountants

Hong Kong, 29 August 2002

Management Discussion and Analysis

The Group is engaged in the manufacture and sale of upstream and downstream products. Upstream products include corn starch and other corn refined products. Corn starch is refined further into a wide variety of high value-enhanced downstream products including lysine, glutamic acid, modified starch, HFCS and corn sweeteners.

OPERATING ENVIRONMENT

In the first half of 2002, the continuing growth of the PRC economy sustained a favorable operating environment while markets in other Asian regions remained stable. Sales in the PRC, our principal market, accounted for approximately 92% (2001 : 92%) of the Group's turnover.

With the PRC's accession to the World Trade Organisation (the "WTO"), the changes including the reduction of import tariff, extension of import quotas, and reduction in subsidies towards agricultural products inevitably create pressure on the market price of related products. As a result, downward price adjustments in similar magnitude in both corn products and corn kernels, the principal raw materials of the Group, persisted during the Period.

During the Period, the pressure causing a recent high in the price of lysine after the outbreak of the mad cow disease in early 2001 eased. In addition, the increase in production capacity within the PRC and in imports led to a temporary imbalance in demand and supply that brought about a further fall in price. It is expected that the market price of lysine will rebound gradually in the rest of 2002.

FINANCIAL PERFORMANCE

The Group's unaudited consolidated turnover and gross profit for the Period increased slightly as compared to that of 2001. Meanwhile the weight of both sales and gross profit of downstream products increased further from approximately 45% and 65% to approximately 53% and 71%, respectively.

Despite the decrease in sales volume of upstream products of approximately 6%, mainly due to the increase in internal consumption of corn starch to produce downstream products, and the drop in selling price of upstream products by approximately 9%, the gross profit margin of upstream products of approximately 25% remained at a similar level as that of last year. The high gross profit margin remained due to the drop in price of corn kernels of approximately 9%.

On the other hand, the sales of downstream products increased by approximately HK\$53 million, representing an increase of approximately 17% over the same period last year. In spite of the drop in market price from approximately HK\$17,000 per metric tonne in 2001 to approximately HK\$13,000 during the Period, sales and gross profit of lysine increased to approximately HK\$160 million and HK\$84 million, representing increases of approximately 39% and 20%, respectively, which are resulted from the expansion of production capacity by approximately 25,000 metric tonnes per annum. Furthermore, the improvement in production efficiency of corn sweeteners generated additional gross profit of approximately HK\$4 million or 18% over the same period of last year.

The profit before tax for the Period improved by approximately HK\$17 million or 9%, which resulted from the drop in finance cost by approximately HK\$18 million because of the reduction of interest bearing borrowings for financing working capital requirements after the Initial Public Offering (the "IPO") and share placing completed last year, while additional resources invested for the enhancement of the Group's administration functions since its listing last year had increased administrative expenses by approximately HK\$5 million.

Most of the Group companies operating in the PRC are now enjoying a 50% income tax relief as their free income tax holiday lapsed last year. Accordingly, the effective tax rate of the Group increased to approximately 8%.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2002, cash and cash equivalents including pledged time deposits of the Group amounted to approximately HK\$486 million (2001: HK\$430 million). The remaining net proceeds from the IPO included in the cash and cash equivalents amounted to approximately HK\$29 million, and are placed on short term deposits with licensed banks in Hong Kong.

Fluctuations in turnover period of trade receivables and trade payables were mainly attributable to the increase in sales of lysine since the second quarter of 2002 and the increase in purchase of corn kernels from farmers conducted on cash basis respectively. Inventory turnover remained stable during the Period. The current ratio and quick ratio as at 30 June 2002 were approximately 2.3 (31 December 2001: 2.6) and 1.9 (31 December 2001: 2.1) respectively.

Interest bearing borrowings increased approximately HK\$200 million, which was mainly applied towards the construction of a new modified starch plant in Changchun and working capital for the new corn refinery commencing operations in the second half of 2002. Except for a mortgage loan of approximately HK\$16 million (31 December 2001: HK\$16 million) wholly repayable in 10 years, approximately 66% (31 December 2001: 76%) of the remaining interest bearing borrowings as at 30 June 2002 were repayable within one year. Certain assets of the Group have been pledged to secure its borrowings, including bank deposits of approximately HK\$35 million (31 December 2001: HK\$62 million) and fixed assets with a carrying value (aggregate net book value) of approximately HK\$234 million as at 30 June 2002 (31 December 2001: HK\$243 million). The Group's gearing ratio as at 30 June 2002 was approximately 18% (31 December 2001: 12%), which was calculated based on the aggregate amount of interest bearing borrowings of approximately HK\$447 million (31 December 2001: HK\$247 million) and total assets of approximately HK\$2,418 million (31 December 2001: HK\$2,029 million).

During the Period, the Group did not use any financial instrument for hedging purposes and did not have any hedging instrument outstanding as at 30 June 2002.

Management Discussion and Analysis

PROSPECTS

To support the expansion of downstream products, our new corn refinery with an annual processing capacity of approximately 600,000 metric tonnes has commenced full scale operation in August 2002. The total annual supply of corn starch now reaches approximately 800,000 metric tonnes.

In addition, the second lysine production facility of approximately 25,000 metric tonnes per annum has been operating at full capacity since the second quarter of 2002. It is expected that the annual production volume in 2002 will reach approximately 30,000 metric tonnes, which becomes one of the driving forces to future profit growth.

In order to capture the market of glutamic acid, a type of amino acid and intermediate material for Mono Sodium Glutamate, the glutamic acid plant project with a designed capacity of 100,000 metric tonnes per annum is in progress.

The modified starch expansion project targeted at the paper industry, to be carried out in 2 phases, is underway. The installation of facilities in the first phase with a designed annual capacity of 100,000 metric tonnes is scheduled for completion in 2003. It will then enlarge the profit derived from downstream products further. The second phase is scheduled to commence after the completion of the first phase.

JOINT VENTURE WITH CARGILL

In 2001, the Group entered into business co-operation and established a joint venture in equal partnership with Cargill. With the enormous effort contributed by both Cargill and the Group, the construction, commencing in October 2001, of an HFCS refinery in Shanghai with a designed annual capacity of 100,000 metric tonnes has been completed within an unexpected short period of time. The refinery became operational in July 2002.

The inauguration of the Shanghai HFCS refinery has enabled the Group to become the only manufacturer in the PRC capable of producing HFCS meeting international standards with commercial production capacity.

WHAT IS HIGH FRUCTOSE CORN SYRUP ?

- A natural sweetener - substitute for cane sugar
- Produced from glucose derived from corn starch
- Stability and high osmotic pressure nature
- Different levels of concentration in application depending on user needs
- Widely used in soft drinks, baked food and candy

USE OF PROCEEDS

The net proceeds from the IPO remained unused as at 31 December 2002 amounted to approximately HK\$40 million. During the Period, approximately HK\$10 million and HK\$1 million have been applied towards research and development activities and expansion of the Group's distribution and sales networks respectively. The Directors do not intend to change the application of the net proceeds. The remaining proceeds of approximately HK\$29 million are placed on short term deposits with licensed banks in Hong Kong.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2002, the Group has approximately 1,018 full time employees in Hong Kong and the PRC. The Group recognises the importance of its human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

During the Period, no share options had been granted to any staff. At 30 June 2002 a total of 115,814,400 share options are outstanding with exercise periods up to 20 August 2011 at exercise prices ranging from HK\$0.816 to HK\$1.316 per share.

Disclosure of Additional Information

INTERIM DIVIDENDS

The Board has proposed an interim dividend of HK1.5 cents per ordinary share (2001 : HK1.25 cents per ordinary share as adjusted for one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002) in respect of the Period. The Board expects that the proposed interim dividend will be paid on or around 23 October 2002.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the Directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of Director	Notes	Nature of interest	Number of ordinary shares held
Mr. Liu Xiaoming	1	Corporate	345,600,000
		Individual	8,294,400
Mr. Kong Zhanpeng	2	Corporate	172,800,000
		Individual	8,294,400
Mr. Wang Tieguaung	3	Corporate	172,800,000
		Individual	4,147,200

Notes:

1. These shares are owned by LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.
2. These shares are owned by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.
3. These shares are owned by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguaung.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' interests in shares" above and the share options mentioned below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTIONS

The share options granted by the Company to the Directors and employees and the options exercised by the Directors and employees during the Period are as follows:

Category and name of participant	Number of share options				Date of grant share options**	Exercise period of share options	Exercise price of share options HK\$	Share price at the date immediately before the exercise date of share options HK\$
	At 1 January 2002	Adjustment for bonus issues*	Exercised during the Period	At 30 June 2002				
Directors								
Mr. Liu Xiaoming	3,456,000	691,200	(4,147,200)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816***	2,950****
	3,456,000	691,200	(4,147,200)	—	14 May 2001	14 May 2002 to 13 May 2011	0.816***	2,950****
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2001 to 20 August 2011	1.316***	—
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2002 to 20 August 2011	1.316***	—
	19,200,000	3,840,000	(8,294,400)	14,745,600				
Mr. Xu Zhouwen	9,600,000	1,920,000	—	11,520,000	21 August 2001	21 August 2001 to 20 August 2011	1.316***	—
	9,600,000	1,920,000	—	11,520,000	21 August 2001	21 August 2002 to 20 August 2011	1.316***	—
	19,200,000	3,840,000	—	23,040,000				
Mr. Kong Zhanpeng	3,456,000	691,200	(4,147,200)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816***	2,950****
	3,456,000	691,200	(4,147,200)	—	14 May 2001	14 May 2002 to 13 May 2011	0.816***	2,950****
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2001 to 20 August 2011	1.316***	—
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2002 to 20 August 2011	1.316***	—
	19,200,000	3,840,000	(8,294,400)	14,745,600				
Mr. Wang Tieguang	3,456,000	691,200	(4,147,200)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816***	2,950****
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2001 to 20 August 2011	1.316***	—
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2002 to 20 August 2011	1.316***	—
	15,744,000	3,148,800	(4,147,200)	14,745,600				
	73,344,000	14,668,800	(20,736,000)	67,276,800				

Disclosure of Additional Information

Category and name of participant	Number of share options				Date of grant share options**	Exercise period of share options	Exercise price of share options HK\$	Share price at the date immediately before the exercise date of share options HK\$
	At 1 January 2002	Adjustment for bonus issues*	Exercised during the Period	At 30 June 2002				
Mr. Au Chun Fat (ceased to be director on 1 May 2002)	3,456,000	691,200	—	4,147,200	14 May 2001	14 May 2001 to 13 May 2011	0.816***	—
	3,456,000	691,200	—	4,147,200	14 May 2001	14 May 2002 to 13 May 2011	0.816***	—
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2001 to 20 August 2011	1.316***	—
	6,144,000	1,228,800	—	7,372,800	21 August 2001	21 August 2002 to 20 August 2011	1.316***	—
	19,200,000	3,840,000	—	23,040,000				
	92,544,000	18,508,800	(20,736,000)	90,316,800				
Other employees in aggregate	1,536,000	—	(1,536,000)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816***	2.450****
	5,376,000	1,075,200	(6,451,200)	—	14 May 2001	14 May 2002 to 13 May 2011	0.816***	3.030****
	10,624,000	2,124,800	—	12,748,800	21 August 2001	21 August 2001 to 20 August 2011	1.316***	—
	10,624,000	2,124,800	—	12,748,800	21 August 2001	21 August 2002 to 20 August 2011	1.316***	—
	28,160,000	5,324,800	(7,987,200)	25,497,600				
	120,704,000	23,833,600	(28,723,200)	115,814,400				

* The aggregate number of shares to be subscribed for was adjusted for the bonus issues made by the Company during the Period.

** The vesting period of the share options is from the date of the grant until the commencement of the exercised period.

*** The exercise price of the share options was adjusted for the bonus issues made during the Period from HK\$0.98 and HK\$1.58 to HK\$0.816 and HK\$1.316, respectively.

**** The price of the Company's shares disclosed as at the date immediately before the date of the exercise of the share options is the weighted average of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") closing prices over all of the exercises of share options within the disclosure category.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of holding
LXM Limited	345,600,000#	17.94%
In-depth Profits Limited	288,000,000	14.95%

The shareholding is duplicated in the "Directors' interests in shares" disclosed above.

Save as disclosed above, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' interests in shares" above, had registered an interest of 10% or more in the share capital of the Company as at 30 June 2002 that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE 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 Period.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice (the "Code"), as set out in the appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing of the Company's shares on the Stock Exchange on 16 March 2001.

AUDIT COMMITTEE

The Company's Audit Committee which was established in accordance with the guideline of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises two independent non-executive Directors. The Chairman of the Audit Committee is Mr. Lee Yuen Kwong, who is a Certified Public Accountant and has been practising since 1990. The other member of the Audit Committee is Mr. Chan Man Hon, Eric, who is a solicitor and has been practising in Hong Kong for over 20 years.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

Disclosure of Additional Information

The interim results of the Group for the Period had not been audited, but had been reviewed by the Company's auditors, Ernst & Young. This interim report had been reviewed by the Audit Committee.

CLOSURE OF REGISTER OF MEMBERS

The register of members will close from 2 October 2002 to 4 October 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 30 September 2002.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT OF INTERIM REPORT

The printed copy of the 2002 interim report will be sent to shareholders on or around 7 September 2002. The soft copy of the interim report will be available on the Company's website at www.globalbiochem.com on or around 5 September 2002. A detailed results announcement containing all the information required by paragraph 37 of appendix 16 of the Listing Rules of the Stock Exchange has been published on the Stock Exchange's website at www.hkex.com.hk.

On behalf of the Board

Liu Xiaoming

Chairman

Hong Kong, 29 August 2002