

CHANGCHUN

Annual Capacity:

- Amino Acids - Lysine 40,000 mt
 - Protein Lysine 40,000 mt *
 - Compound Amino Acids 20,000 mt *
- Modified Starch - Food grade 30,000 mt
 - Paper grade 100,000 mt *
- Corn Sweeteners - Sorbitol 60,000 mt *
- Corn Processing - 1.2 million mt
- Corn Starch - 840,000 mt

Site Area: Approximately 600,000 m²

Location: Situated within Golden Corn Belt



SHANGHAI

Annual Capacity:

- Corn Sweeteners - HFCS 100,000 mt
 - Maltose, Glucose 60,000 mt

Site Area: Approximately 30,000 m²

Location: Situated in close proximity to food & beverage manufacturers



Note:

*: in progress

Product Diversification
in Acceleration

CHANGCHUN

JINZHOU

SHANGHAI



JINZHOU

Annual Capacity:

- Amino Acids - Glutamic Acid 100,000 mt *
- Corn Processing - 600,000 mt *
- Corn Starch - 420,000 mt *

Site Area: Approximately 370,000 m²

Location: Situated within Golden Corn Belt & at Transportation Hub

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- Turnover *increased 51%*
- Gross Profit *grew 36%*
- Net Profit *rose 32%*

	Six months ended 30 June		
	2003 HK\$m	2002 HK\$m	% Change
Turnover	1,034	686	51
Profit before tax	288	214	34
Net Profit from ordinary activities attributable to shareholders	229	174	32
Basic earnings per share	HK11.8 cents	HK9.2 cents	28
Interim dividend per share	HK2.0 cents	HK1.5 cents	33
Return on equity	11%	11%	—

Board of Directors

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

* 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
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Website

www.globalbiochem.com

Stock code: 0809

Product diversification sustains continuous growth and development

During the first half of the year, the turnover and the net profit of the Group increased by 51% and 32% respectively when compared with the same period last year. The overall gross profit margin was maintained at a satisfactory level of 36%.

The increase of sales volume of lysine, a high value-added product, led to higher profit growth during the period. In order to create a new profit stream and to lay the ground work for further development, the Group has accelerated product diversification. To support product diversification, the Group will expand its corn processing capacity further by establishing a new production base in Jinzhou, Liaoning, the PRC.

Market globalisation, capturing a larger share of the lysine market

The demand for lysine keeps on increasing in the PRC in recent years. The Group is a prominent player in the PRC lysine market and has successfully entered the European market this year.

To broaden the product range of amino acids and to cater to different customer needs, the Group signed agreements in July 2003 to establish a joint venture company, Changchun Baocheng Bio-chem Development Co., Ltd., for the production and sale of protein lysine and compound amino acids. Currently, the Group is a world-class lysine manufacturer in terms of production technology and equipment. Upon the completion of expansion projects on protein lysine & compound amino acids, the Group's annual lysine production capacity will increase to 100,000 metric tonnes, making the Group one of the largest lysine manufacturers in the world.

Strategic deployment of production base for product expansion

The Group entered into an agreement in May 2003 to acquire 70% equity interest in Jinzhou Yuancheng Bio-chem Technology Co., Ltd. The acquisition marked a strategic deployment by the Group to extend its production base and product lines and will increase the Group's overall annual corn processing capacity from 1.2 million to 1.8 million metric tonnes. The Group estimates that corn starch for internal use will increase from 670,000 metric tonnes per annum by the end of 2003 to over one million metric tonnes by the end of 2004. Internal needs for corn starch cannot be met by the two existing corn refineries if no expansion is carried out. The increase in the supply of corn starch can be speeded up by one year by the acquisition when compared with the construction of a new refinery. The new refinery will commence production by the first quarter of 2004.

The Group will also construct a glutamic acid plant adjacent to the corn refinery in Jinzhou. Glutamic acid is the major raw material in MSG production. The plant, with a designed annual capacity of 100,000 metric tonnes and consuming 200,000 metric tonnes of corn starch, will commence production by the fourth quarter of 2004.

Jinzhou is the transportation hub in northeastern PRC. The geographic advantage provides a cost-effective transportation platform for the Group's expansion into markets in southern PRC and overseas as the cost of shipment from Jinzhou by sea is substantially lower than from Changchun by land.

Strategic alliances with international enterprises to accelerate business development

During the period, the Group signed a Memorandum of Understanding with Mitsui Group to form a joint venture company for the manufacture and sale of sorbitol products in the PRC. In addition, the high fructose corn syrup joint venture refinery formed between the Group and Cargill, Incorporated has started to supply HFCS to a number of international and domestic food and beverage groups. Through the co-operation with a well-established conglomerate in Japan and a multi-national corporation in the U.S., the development of the huge potential markets for sobitol and HFCS can be enhanced and this in turn accelerates the development of the Group.

To become a leading vertically integrated corn based biochemical product manufacturer

The Group's long term corporate strategy is to manufacture and sell high profit margin downstream corn based biochemical products.

Apart from downstream corn based biochemical products like protein lysine, various types of compound amino acids, glutamic acid, sorbitol and HFCS, the Group is actively engaged in a modified starch expansion project. The modified starch plant for the paper-making industry will commence production by the end of 2003, with annual capacity of 60,000 metric tonnes, to be raised further to 100,000 metric tonnes in the first quarter of 2004. Upon the completion of all expansion projects, it is expected that the Group's performance will be improved further.

In view of the current low interest environment, the Group intends to enhance financial flexibility by arranging a syndication loan facility of not less than HK\$700 million in the second half of this year. It will place the Group in a position for sustainable future business expansion and will also satisfy general working capital needs.

The Group also places great importance in improving production efficiency by enhancing production technology and controlling production costs. Therefore, the Group will continue to allocate resources in recruiting qualified and experienced staff for the research and development and production teams.

I would like to extend heartfelt thanks to our staff, shareholders, investors, customers and business partners who have rendered continuous support to the Group.

Liu Xiaoming
Chairman

28 August 2003

Global Bio-chem Technology Group Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) are engaged in the manufacture and sale of upstream and downstream corn products. Upstream products include corn starch and other corn refined products. Corn starch is then refined into a wide range of high value-added downstream products including lysine, corn sweeteners and modified starch.

BUSINESS ENVIRONMENT

Despite SARS, the economic growth of the PRC remained stable, which sustained a favourable business environment. Sales in the PRC, our principal market, accounted for approximately 91% (2002: 92%) of the Group’s turnover in the first half of 2003 (the “Period”). In the PRC, there is currently no comparable domestic competitor in lysine, a downstream biochemical product. Both modified starch and corn sweeteners faced downward price adjustments owing to domestic competition and low-priced substitutes respectively. For upstream products, increasing competition from domestic manufacturers imposed pressure on price.

To effect a strategic allocation of client base and in view of keen demand from overseas markets, the Group extended its market from the Asian Pacific region to Europe and Africa. During the Period, sales to these new markets recorded an increase, with lysine forming the majority of these exports. This served to alleviate domestic competition and to maintain higher product prices in the PRC.

FINANCIAL PERFORMANCE

The Group’s unaudited consolidated turnover of approximately HK\$1 billion, gross profit of approximately HK\$375 million and net profit of approximately HK\$229 million for the Period increased by 51%, 36% and 32% respectively, as compared to figures of 2002. The outstanding performance was mainly derived from the Group’s success in the expansion of downstream products and the increase in upstream corn processing capacity last year.

For the downstream product segment, the sales amount, the gross profit and their respective growth rates were approximately HK\$420 million, HK\$223 million, 16% and 14% respectively. The average gross profit percentage of approximately 53% (2002: 54%) remained stable as compared to 2002. With the expansion in lysine production by 25,000 metric tonnes per annum completed in the second quarter last year, the sales amount of approximately HK\$277 million and gross profit of approximately HK\$147 million for lysine recorded substantial increases of 73% and 75% respectively during the Period. The market condition of other downstream products, modified starch and corn sweeteners, were less impressive in comparison. Competition from small local suppliers of food-grade modified starch and continuous depression in the price of cane sugar caused a drop in selling prices. As a result, sales of modified starch and corn sweeteners decreased 30% to approximately HK\$143 million.

During the Period, the high fructose corn syrup (“HFCS”) joint venture recorded an operating loss, of which the portion shared by the Group amounted to approximately HK\$0.1 million. It was mainly due to continuous depression in the price of cane sugar in recent years, but the Directors of the Company are confident of a rebound in sugar price in the near future.

In late 2002, the second corn refinery in Changchun commenced commercial production, which then doubled the Group’s annual corn processing capacity from 0.6 million metric tonnes to 1.2 million metric tonnes. Despite a drop in average selling price by 4%, the sales of upstream products were approximately HK\$615

million, representing an increase of approximately 90% as compared to the previous year. At the same time, the drop in selling price was partially offset by the economies of scale arising from the expansion of capacity and the drop in raw material cost. Thus, the gross profit margin of upstream products remained stable at approximately 25% (2002: 25%) and the gross profit from upstream products of approximately HK\$152 million represented an increase of approximately 87% over last year.

Because of the doubling of corn processing capacity, turnover and gross profit from upstream products increased and accounted for 59% (2002: 47%) and 41% (2002: 29%) of the Group's total respectively. Due to the change in sales mix, the overall gross profit margin dropped by approximately 4% to 36%.

Through stringent control over selling and distribution and administrative expenses, the percentage of operating expenses over turnover dropped slightly by approximately 1%. In addition, with the stability of finance costs, taxation and profit shared by minority shareholders over the turnover, the net profit from operating activities attributable to shareholders increased approximately HK\$55 million or 32%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, cash and cash equivalents of the Group amounted to approximately HK\$346 million (31 December 2002: HK\$433 million). With the increase in bank borrowings of approximately HK\$45 million, the net borrowing position rose by approximately HK\$132 million. Despite the substantial profit generated from operations of approximately HK\$229 million, the change in net borrowing position resulted mainly from (i) the huge capital expenditure incurred during the Period of approximately HK\$146 million and (ii) additional working capital tied up after the Group doubled its annual corn refining capacity to 1.2 million metric tonnes in late 2002.

As a result of the inventory level being kept at above normal levels in anticipation of an increase in the price of corn, the inventory turnover days increased further from 94 days as at 31 December 2002 to 105 days as at 30 June 2003. Since most of the raw materials were acquired from farmers on a cash basis, trade creditors turnover days decreased further to 16 days (31 December 2002: 22 days). At the same time, the trade receivables turnover days improved slightly to 76 days (31 December 2002: 84 days). In accordance with the above change, the current ratio and the quick ratio as at 30 June 2003 were approximately 2.3 (31 December 2002: 2.1) and 1.6 (31 December 2002: 1.6) respectively.

As at 30 June 2003, the Group's bank borrowings amounted to approximately HK\$520 million (31 December 2002: HK\$476 million), of which 26% were denominated in Hong Kong dollars or US dollars while the remainder was in Renminbi ("RMB"). Except for a mortgage loan of approximately HK\$14 million repayable in 8 years, the bank borrowings will be wholly repayable in 3 years, with annual interest rates ranging from 3% to 8%. As at 30 June 2003, 76% of bank borrowings was repayable in one year. As at 30 June 2003, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK\$146 million.

The gearing ratios as at 30 June 2003 including bank borrowings over total assets (17%) and bank borrowings over shareholders equity (25%) remained stable as compared to 31 December 2002.

During the Period, the Group did not use any financial instruments for hedging purposes and did not have any hedging instrument outstanding as at 30 June 2003.

PRODUCT DIVERSIFICATION IN ACCELERATION

Protein Lysine and Compound Amino Acids

In view of the strong growth in demand for lysine in the PRC in recent years and over 45% of demand in the PRC currently being met by imports, the Group decided to expand its lysine production capacity in order to capture the rising demand in the market and to enlarge market share.

In July 2003, the Group entered into agreements with a PRC joint venture partner to establish a joint venture company in which the Group will effectively hold 73% equity interest. The scope of business of this joint venture company will include the production and sale of various types of protein lysine and compound amino acids. The production capacity of this joint venture company will be 40,000 metric tonnes of protein lysine and 20,000 metric tonnes of compound amino acids per annum, to be implemented in two phases, while the total investment will amount to US\$45 million and will be contributed by the joint venture partners according to their respective equity interest holding percentage.

Modified Starch

To capture the emerging market of modified starch used in the paper-making industry, the first phase of the expansion project on modified starch with an annual capacity of 100,000 metric tonnes is near completion, with the first 60,000 metric-tonne capacity to be launched by the end of 2003 and the remaining 40,000 metric tonnes to be operational by the first quarter of 2004. The second phase, with another 100,000 metric tonnes of annual capacity, is scheduled to commence construction under appropriate market conditions.

HFCS

During the Period, the joint venture vehicle for the HFCS project entered into contracts with international and local beverage bottling plants to supply HFCS to densely populated cities in the PRC. The amount of HFCS to be supplied by the joint venture under the contracts will take up about half of the production capacity of the HFCS refinery.

Sorbitol

The Group signed a Memorandum of Understanding (“MOU”) in January with Mitsui Group to set up a joint venture company (“JVC”) for the manufacture and sale of sorbitol products in the PRC. According to the MOU, the Group will hold 51% equity interest of the proposed JVC and the total investment on the project is expected to be an amount not exceeding US\$15 million, which will be injected by joint venture partners according to their respective equity holding percentage.

Due to the impact of SARS, the negotiation process slowed down in the past few months. Nevertheless, the joint venture agreement is in the finalisation stage and the first sorbitol plant in Changchun, with an annual production capacity of 60,000 metric tonnes, is expected to commence commercial production in 2004.

Third Corn Refinery in Jinzhou

To satisfy the growing demand for corn starch from downstream expansion in terms of volume and variety, the Group entered into an agreement in May 2003 to acquire 70% equity interest in Jinzhou Yuancheng Bio-chem

Technology Co., Ltd. (“Jinzhou Yuancheng”), situated in Jinzhou, Liaoning Province, the PRC, which is mainly engaged in upstream product processing, with an annual capacity of 600,000 metric tonnes. The construction of a corn refinery in Jinzhou was completed in March 2003 and the installation of machineries and equipments is expected to be completed in early 2004. Commercial production is expected to commence in the first quarter of 2004, thereby raising the Group’s total corn processing capacity to approximately 1.8 million metric tonnes per annum.

The consideration for the acquisition amounted to approximately HK\$75 million, of which approximately HK\$49 million will be settled by way of cash and the remaining HK\$26 million by way of the allotment and issue of approximately 13 million ordinary shares of the Company (“Share(s)”). Since the equity transfer procedure was still in progress as at 30 June 2003, Jinzhou Yuancheng was not regarded as a subsidiary of the Group for the Period.

Glutamic Acid

With the imminent acquisition of Jinzhou Yuancheng as the second principal production base of the Group, the Directors have decided to start the construction of a glutamic acid plant with an expected annual capacity of 100,000 metric tonnes in Jinzhou in order to maximise the return derived from the vertical integration of both upstream and downstream operations and to gain easy access to southern PRC, the largest market for glutamic acid. It is expected that commercial production will commence in the fourth quarter of 2004.

SHARE OPTIONS TO OTHER CORPORATIONS

During the Period, 23.8 million Shares were subscribed by a wholly owned subsidiary of Cargill, from which approximately HK\$38 million were received by the Group pursuant to the exercise of the share option granted thereto. As at 30 June 2003, options granted to that wholly owned subsidiary of Cargill for subscription of 84.2 million Shares remained outstanding, with exercise periods up to April 2005. If these options are fully exercised, an aggregate amount of approximately HK\$172 million would be raised, which can enhance the Group’s financial position and provides additional resources to the Group for its future development.

NUMBER, REMUNERATION AND RECRUITMENT OF EMPLOYEES

As at 30 June 2003, the Group has approximately 1,400 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production division as well as the research and development division to enhance production capability and to develop new biochemical products. 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. As at 30 June 2003, a total of approximately 116 million share options are outstanding with exercise periods up to 20 August 2011 and exercise prices ranging from HK\$0.816 to HK\$1.316 per Share.

INTERIM DIVIDENDS

The Board of Directors of the Company (the “Board” or “Directors”) has proposed an interim dividend of HK2.0 cents per Share (2002: HK1.5 cents) in respect of the Period. The Board expects that the proposed interim dividend will be paid on or around 22 October 2003.

DIRECTORS’ INTEREST IN SHARES

As at 30 June 2003, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”)) which had been notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/ associated corporation	Capacity	<i>Notes</i>	Number of Shares
Mr. Liu Xiaoming	The Company	(i) Beneficial owner		8,890,400
		(ii) Interest of controlled corporation	1	345,600,000
Mr. Kong Zhanpeng	The Company	(i) Beneficial owner		8,294,400
		(ii) Interest of controlled corporation	2	172,800,000
Mr. Wang Tieguang	The Company	(i) Beneficial owner		4,147,200
		(ii) Interest of controlled corporation	3	172,800,000

Notes:

1. These shares are owned by LXM Limited, a company incorporated in the British Virgin Islands. 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 British Virgin Islands. 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 British Virgin Islands. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

SHARE OPTIONS

During the Period, the following share options were outstanding under the share option scheme of the Company which became effective on 12 March 2001 and will remain in force for 10 years from that date:

Category and name of participant	Number of share options at 1 January 2003 and 30 June 2003	Date of grant of share options *	Exercise period of share options	Exercise price of share options**	Price of Company's Share at grant date of option***
				HK\$	HK\$
Directors					
Mr. Liu Xiaoming	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66
Mr. Xu Zhouwen	23,040,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66
Mr. Kong Zhanpeng	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66
Mr. Wang Tieguang	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66
	67,276,800				
Other employees					
In aggregate	8,294,400	14 May 2001	14 May 2001 to 13 May 2011	0.816	1.00
	40,243,200	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66
	48,537,600				
	115,814,400				

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

** The exercise price of the share options was adjusted for the bonus issues in 2002 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 of the grant of the share options is closing price at the Stock Exchange on the trading day immediately prior to the date of the grant of the share options and was adjusted for the bonus issues in 2002 from HK\$1.20 and HK\$2.00 to HK\$1.00 and HK\$1.66, respectively.

SUBSTANTIAL SHAREHOLDERS' INTEREST

- (a) So far as is known to the Directors, as at 30 June 2003, the following persons had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Notes	Interest in issued Shares	Interest in underlying Shares	Approximate percentage of the Company's issued share capital
LXM Limited	1	345,600,000		17.7%
Mr. Liu Xiaoming	1	354,490,400	14,745,600*	18.9%
In-depth Profits Limited	2	288,000,000		14.7%
Mr. Au Chun Fat	2	288,000,000	23,040,000**	15.9%
Hartington Profits Limited	3	172,800,000		8.8%
Mr. Kong Zhanpeng	3	181,094,400	14,745,600*	10.0%
Rich Mark Profits Limited	4	172,800,000		8.8%
Mr. Wang Tiegung	4	176,947,200	14,745,600*	9.8%
J.P. Morgan Chase & Co.		156,684,200***		8.0%
The Capital Group Companies, Inc.		108,102,000		5.5%
Cargill International Trading Pte. Ltd.	5	23,800,000	84,220,000	5.5%

* These Shares are the underlying Shares subject to certain options granted under the share option scheme of the Company. Details of such options are set out in paragraph headed "Share options" above.

** These Shares are the underlying Shares subject to the options granted under the share option scheme of the Company. On 14 May 2001, Mr. Au Chun Fat was granted options to subscribe for 8,294,400 Shares exercisable at a price of HK\$0.816 per Share (after adjustment for the one for five bonus issue in 2002) during the period from 14 May 2001 to 13 May 2011. On 21 August 2001, Mr. Au Chun Fat was granted further options to subscribe for 14,745,600 Shares exercisable at a price of HK\$1.316 per Share (after adjustment for the one for five bonus issue in 2002) during the period from 21 August 2001 to 20 August 2011.

*** According to the register of substantial shareholders kept by the Company, 156,684,200 Shares were held by J.P. Morgan Chase & Co. in its capacity as an investment manager as at 30 June 2003 and 39,117,400 Shares formed part of a lending pool. All such Shares represent a long position in shares.

Notes:

1. The entire issued capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive Director.
2. The entire issued capital of In-depth Profits Limited is beneficially owned by Mr. Au Chun Fat, an employee and a former Director.
3. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng, an executive Director.

4. The entire issued capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tiegung, an executive Director.
5. Pursuant to the option deed dated 25 September, 2001 entered into between the Company and Cargill International Trading Pte. Ltd. ("Cargill Pte."), the Company granted to Cargill Pte. options to acquire 23,800,000 Shares ("Tranche 1 Option"), 36,800,000 Shares ("Tranche 2 Option") and 47,420,000 Shares ("Tranche 3 Option") at a subscription price of HK\$1.59, HK\$1.83 and HK\$2.21 per Share respectively (after adjustment for the one for five bonus issue in 2002). The exercise period for the Tranche 1 Option, the Tranche 2 Option and the Tranche 3 Option were 30 days from the date commencing 26 March 2003, 30 days from the date commencing 26 March 2004 and 30 days from the date commencing 26 March 2005. As at 30 June 2003, options to acquire 84,220,000 Shares were outstanding.
- (b) So far as is known to the Directors, as at 30 June 2003, Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial") is, directly or indirectly, interested in 10% or more of the registered capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

Name of subsidiary	Interest in registered capital	Percentage of interest
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.	RMB15,464,560	10%
Changchun Dacheng Corn Development Co., Ltd.	RMB19,908,000	20%
Changchun Dacheng Special Corn & Modified Starch Development Co., Ltd.	RMB9,925,000	10%
Changchun Dacheng Starch Development Co., Ltd.	RMB5,440,000	10%
Changchun Jincheng Corn Development Co., Ltd.	RMB9,870,000	10%

- (c) Save as disclosed above, no person had notified the Company that he/she/it has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct/indirect interests amounting to 10% of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group as at 30 June 2003.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' interest in shares" and "Share options" above, at no time during the Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors 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.

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

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will close from 30 September 2003 to 3 October 2003, 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 on Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 29 September 2003.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT OF INTERIM REPORT

The printed copy of the 2003 interim report will be sent to shareholders on or around 4 September 2003. The soft copy of the interim report will be available on the Company’s website at www.globalbiochem.com on or around 2 September 2003. A detailed announcement containing all the information required by paragraph the 37 of appendix 16 of the Listing Rules has been published on the Stock Exchange’s website at www.hkex.com.hk.

On behalf of the Board
Liu Xiaoming
Chairman

Hong Kong, 28 August 2003

The Board is pleased to announce the unaudited consolidated results of the Group for the Period. The unaudited consolidated results have been reviewed by the Company's external auditors and the Audit Committee.

	Notes	Six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
TURNOVER	2	1,034,272	686,272
Cost of sales		(659,388)	(409,966)
Gross profit		374,884	276,306
Other revenue		4,499	3,018
Selling and distribution expenses		(29,408)	(20,514)
Administrative expenses		(38,307)	(29,900)
Other operating expenses		(15,101)	(9,730)
PROFIT FROM OPERATING ACTIVITIES	4	296,567	219,180
Finance costs	5	(8,459)	(4,862)
Share of profits/(losses) of jointly-controlled entities		(144)	5
PROFIT BEFORE TAX		287,964	214,323
Tax	6	(25,010)	(17,196)
PROFIT BEFORE MINORITY INTERESTS		262,954	197,127
Minority interests		(33,832)	(23,319)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		229,122	173,808
DIVIDENDS	7	39,110	28,892
EARNINGS PER SHARE	8		
— Basic		HK11.8 cents	HK9.2 cents
— Diluted		HK11.5 cents	HK8.7 cents

16 Condensed Consolidated Balance Sheet

	<i>Notes</i>	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		1,622,966	1,530,454
Deposits for acquisition of fixed assets		35,264	31,761
Interests in jointly-controlled entities		54,599	42,585
		1,712,829	1,604,800
CURRENT ASSETS			
Inventories		379,602	258,403
Trade receivables	9	429,983	383,286
Prepayments, deposits and other receivables		148,375	53,642
Cash and cash equivalents		345,861	432,967
		1,303,821	1,128,298
CURRENT LIABILITIES			
Interest-bearing bank loans, secured		396,403	344,784
Trade payables	10	57,345	60,149
Other payables and accruals		81,195	113,148
Due to minority shareholders		23,294	9,770
Tax payables		22,061	19,571
Dividend payables		39,110	—
		619,408	547,422
NET CURRENT ASSETS		684,413	580,876
TOTAL ASSETS LESS CURRENT LIABILITIES		2,397,242	2,185,676
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		(123,795)	(130,889)
MINORITY INTERESTS		(230,143)	(200,703)
		2,043,304	1,854,084
CAPITAL AND RESERVES			
Issued capital	11	195,551	193,171
Reserves		1,847,753	1,622,279
Proposed dividends		—	38,634
		2,043,304	1,854,084

	Issued capital	Share premium	Fixed assets revaluation reserve	Statutory reserve fund	Retained profits	Proposed dividends	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003							
(Audited)	193,171	636,839	7,204	—	978,236	38,634	1,854,084
Issue of shares	2,380	35,462	—	—	—	—	37,842
Net profit for the Period	—	—	—	—	229,122	—	229,122
Final dividend paid	—	—	—	—	—	(38,634)	(38,634)
Proposed interim dividend	—	—	—	—	(39,110)	—	(39,110)
At 30 June 2003							
(Unaudited)	195,551	672,301	7,204	—	1,168,248	—	2,043,304
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	—	1,614,397

18 Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	Restated HK\$'000
Net cash inflow from operating activities	24,880	190,808
Net cash outflow from investing activities	(142,260)	(295,309)
Net cash inflow from financing activities	30,274	205,535
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(87,106)	101,034
Cash and cash equivalents at beginning of period	432,967	349,841
CASH AND CASH EQUIVALENTS AT END OF PERIOD	345,861	450,875
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	167,753	185,730
Non-pledged time deposits with original maturity of less than three months when acquired	178,108	265,145
	345,861	450,875

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 accounting policies and bases 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 2002, except for the adoption of the revised SSAP 12 “Income Tax” which is effective for the first time for the Period:

SSAP 12 prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period; and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses. The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes.

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 the following 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.

20 Notes to Condensed Consolidated Financial Statements

30 June 2003

(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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	614,702	323,869	419,570	362,403	—	—	1,034,272	686,272
Intersegment sales	209,678	127,000	—	—	(209,678)	(127,000)	—	—
Total revenue	824,380	450,869	419,570	362,403	(209,678)	(127,000)	1,034,272	686,272
Segment results	159,400	85,717	142,711	139,800	—	—	302,111	225,517
Unallocated revenue							4,499	3,018
Unallocated expenses							(10,043)	(9,355)
Profit from operating activities							296,567	219,180
Finance costs							(8,459)	(4,862)
Share of profits/(losses) of jointly-controlled entities							(144)	5
Profit before tax							287,964	214,323
Tax							(25,010)	(17,196)
Profit before minority interests							262,954	197,127
Minority interests							(33,832)	(23,319)
Net profit from ordinary activities attributable to shareholders							229,122	173,808

(b) Geographical segments

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

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	42,108	26,958
Impairment of leasehold land and buildings	5,000	—
Interest income	(2,005)	(3,018)

30 June 2003

5. FINANCE COSTS

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans:		
Wholly repayable within five years	13,199	8,362
Repayable beyond five years	260	761
Interest on trust receipt loans, wholly repayable within five years	—	271
	13,459	9,394
Less: Interest capitalised	(5,000)	(4,532)
	8,459	4,862

6. TAX

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	—	917
Elsewhere	25,010	16,279
Tax charge for the Period	25,010	17,196

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period. In the prior period, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that 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 has been made as the Group did not have any significant unprovided deferred tax liabilities or assets in respect of the Period (2002: Nil).

30 June 2003

7. DIVIDENDS

	Six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim dividend of HK2.0 cents (2002: HK1.5 cents) per Share	39,110	28,892

The Directors propose the payment of an interim dividend of HK2.0 cents (2002: HK1.5 cents) per Share in respect of the Period to shareholders on the register of members on 29 September 2003.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$229,122,000 (2002: HK\$173,808,000) and the weighted average number of 1,940,778,529 (2002: 1,880,645,515) Shares in issue during the Period.

The calculation of diluted earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$229,122,000 (2002: HK\$173,808,000) and on 1,996,196,565 (2002: 1,998,966,904) Shares, being the weighted average number of 1,940,778,529 (2002: 1,880,645,515) Shares in issue during the Period, as used in the basic earnings per share calculation, plus the weighted average of 55,418,036 (2002: 118,321,389) Shares assumed to have been issued at no consideration 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. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged 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	31 December
	2003	2002
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
1-30 days	212,362	155,596
31-60 days	78,739	56,756
61-90 days	40,949	31,248
Over 90 days	97,933	139,686
	429,983	383,286

10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, other than purchases of corn kernels from farmers, which are normally settled on a cash basis.

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

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
1–30 days	25,816	24,308
31–60 days	3,354	5,464
61–90 days	3,211	5,002
Over 90 days	24,964	25,375
	57,345	60,149

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 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2002: 10,000,000,000) Shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 1,955,505,600 (31 December 2002: 1,931,705,600) Shares of HK\$0.10 each	195,551	193,171
	Number of issued Shares '000	Par value HK\$'000
Issued share capital as at 1 January 2003 (Audited)	1,931,705	193,171
Exercise of share options (Note)	23,800	2,380
Share capital as at 30 June 2003 (Unaudited)	1,955,505	195,551

Note: During the Period, 23,800,000 share options were exercised which resulted in the issue of 23,800,000 Shares amounting to HK\$2,380,000 and share premium of HK\$35,462,000 (before issue expenses).

30 June 2003

12. CONTINGENT LIABILITIES

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

At 30 June 2003, 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\$219,643,000 (31 December 2002: HK\$214,550,000).

13. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for		
Leasehold buildings	159,104	158,825
Capital contributions payable to a joint venture company (Note)	75,000	—
	234,104	158,825

Note: As detailed in note 14(ii) below, the Group has committed to make capital contributions of approximately HK\$75,000,000 for an acquisition of 70% equity shareholding in a joint venture company.

14. RELATED PARTY TRANSACTIONS

- (i) During the period, the Group has transferred a parcel of land to a jointly-controlled entity at HK\$6,141,000, which approximated to its open market value as estimated by directors. No gain or loss arose from such disposal.
- (ii) In May 2003, the Group entered into an agreement to acquire an aggregate of 70% equity interest in Jinzhou Yuancheng from a third party (49%) and Dacheng Industrial (21%), a minority shareholder of certain subsidiaries of the Group. Total consideration of HK\$75 million will be satisfied by HK\$49 million in cash and by issue of Shares of HK\$26 million. This transaction also constitutes a connected transaction as defined under the Listing Rules. Accordingly, a resolution to approve this transaction was passed by the independent shareholders pursuant to an Extraordinary General Meeting held on 28 June 2003. Details of the transaction have been stated in a circular issued by the Company on 9 June 2003. This transaction has not been completed as at 30 June 2003.
- (iii) Subsequent to the balance sheet date, on 17 July 2003, the Group entered into agreements with Dacheng Industrial to establish a joint venture company of which the Group effectively held 73% equity interest. Total investment cost and registered capital of the joint venture company amounted to US\$45 million and US\$15 million, respectively. The registered capital of the joint venture company will be injected by the joint venture partners in cash according to their respective equity interest holding percentage. This joint venture company will be engaged in the production of

certain new corn based biochemical products. As in note (ii) above, this transaction constitutes a connected transaction. A resolution to approve this transaction was passed by the independent shareholders pursuant to another Extraordinary General Meeting held on 19 August 2003. Details of the transaction have been stated in a circular issued by the Company on 31 July 2003.

15. POST BALANCE SHEET EVENT

Save as disclosed in note 14(iii) above, no significant post balance sheet event has to be disclosed.

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

(Incorporation in the Cayman Island with limited liability)

INTRODUCTION

We have been engaged to review the condensed consolidated financial statements of the Group for the six months ended 30 June 2003 as set out on page 15 to 25.

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. It is our responsibility to form an independent conclusion, based on our review, on the interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 statements 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 statements.

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 statements for the six months ended 30 June 2003.

Ernst & Young

Certified Public Accountants

Hong Kong, 28 August 2003