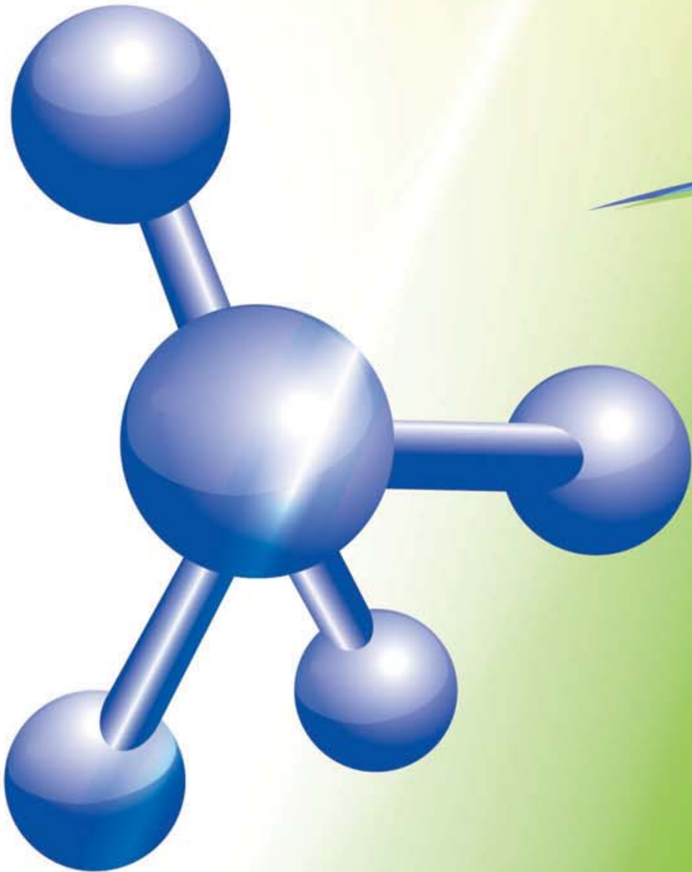
GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code : 00809



ANNUAL REPORT 2010

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 500,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 210,000 mt
- Corn Refinery — 2.4 million mt

Site Area: Over 3.3 million m^2
Location: Situated within the Golden Corn Belt

LIAONING

Annual Production Capacity:

- Corn Refinery — 600,000 mt
- Corn Sweeteners — 200,000 mt

Site Area: Approximately 370,000 m^2
Location: Situated within the Golden Corn Belt and at the transportation hub

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 240,000 mt

Site Area: Approximately 30,000 m^2
Location: Situated in close proximity to food & beverage manufacturers

HONG KONG

Headquarter

mt: metric tonnes
m^2: metres square

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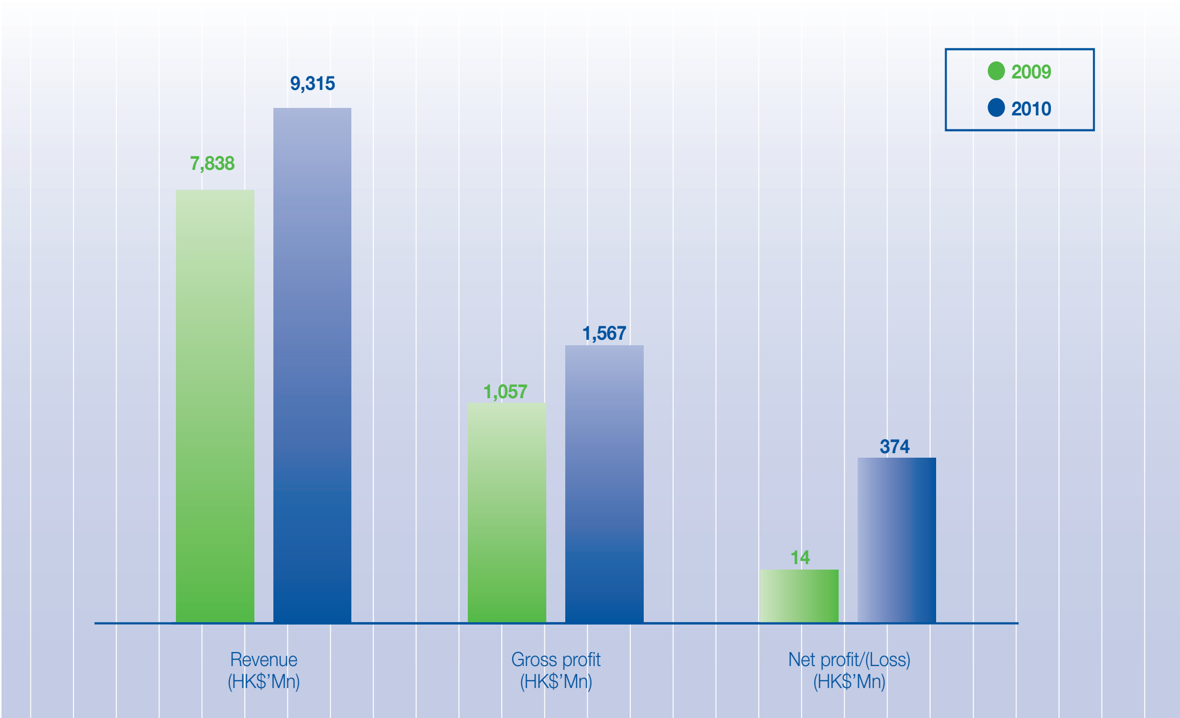
Financial Highlights



	2010	2009	Increase
Revenue (HK$'Mn)	**9,315**	7,838	19%
Gross profit (HK$'Mn)	**1,567**	1,057	48%
Net profit for the year (HK$'Mn)	**374**	14	2,571%
Net profit/(loss) attributable to owners of the Company (HK$'Mn)	**332**	(15)	2,313%
Basic earnings/(loss) per share (HK cents)	**12.1**	(0.6)	2,117%
Proposed final dividend per share (HK cent)	**1.0**	—	—

Dear shareholders,

The Group's performance in 2010 continued to improve, riding on the recovery of the global economy since the second half of 2009. Optimum utilisation of its core product facilities and improvement in production and technical know how served to strengthen the Group's cost-effectiveness and lighten the impact of rising corn prices.

Given the recovery of average selling prices of the Group's amino acids and polyol chemicals products and enhanced operation efficiency, the Group achieved a satisfactory performance for the year under review. The Group's consolidated revenue and gross profit in 2010 amounted to HK$9.3 billion and HK$1.6 billion respectively, representing a 19 per cent and 48 per cent increase over those of the previous year respectively.

Despite the increase in financial expenses during the year, the Group still reported profit attributable to owners of the Company of over HK$300 million. Compared with a loss attributable to the owners of the Company in the previous year, the Group demonstrated a marked improvement in its operating results for the year.

The board of directors are aware of the burden of debts on the Group's performance. We have been constantly reviewing our financing structure and funding sources, with an aim to lower its overall interest expenses. Various strategies are being investigated and considered to further strengthen our balance sheet.

Mainland China's stable economic development continued to support demand for various daily necessities and commodities. An encouraging market environment had sustained healthy selling prices for most of the Group's products during the year.

Affected by the upsurge in corn price, the Group's upstream operations only reported marginal improvement in revenue, with a decline in gross profit. However, the Group managed to generate a favourable profit from its lysine operations. Through fine-tuning of its production process, the Group was able to enlarge its sales volume with surged output. During the year under review, the Group remained the single largest supplier of lysine in the world market, with its export sales volume accounting for a quarter of the international market.

Increased demand for livestock feed continued to lift the average selling price of lysine, the key amino acid product of the Group. Prices of lysine maintained its growth momentum since the second half of 2010 and reached an average selling price of RMB12,800 per metric tonne for the full year.

As crude oil price began to surge since the fourth quarter of 2010, prices of the Group's polyol chemicals continued to increase. Orders from customers rocketed and sales volume had improved.

Phase One of the Group's new corn refinery at Xinglongshan commenced operation in the second half of 2010. The new facility offered an additional corn processing capacity of 600,000 metric tonnes, of which wet starch could be directly channelled to the production process of downstream products. The inauguration of the Xinglongshan corn refinery served to secure ample supply of raw material supporting the Group's downstream output expansion and effectively control its overall production costs.

The Group's sweetener operations, which have been carried out by a separately-listed subsidiary, delivered reasonable results fuelled by recovering sweetener selling prices.

PROSPECTS

The global economy is on track of a smooth recovery. The State government's implementation of the "Twelfth-Five Year Plan" will continue to stimulate domestic demand. This will translate into increased spending on industrial and agricultural products, which is favourable to the Group's business development.

It is expected that the corn price in 2011 will remain at a high level. The Group took full advantage of its location within the corn belt, where corn supply is abundant at relatively low prices. Since the fourth quarter last year, the Group began to stock a substantial amount of corn. The fixed raw material cost has laid a solid foundation for the Group's revenue in 2011.

With continued improvement of world economy and rising living standards in the domestic market, the Group expects the demand for and average selling price of lysine to further accelerate in 2011. The Group strives to maintain optimum utilization of its lysine facilities and to enhance operation efficiency via application of state-of-the-art production technology.

The Group will continue to extend its amino acid product range. Research and development of new amino acid products is underway to enrich this product category and broaden its market and customer bases. The development of arginine and methionine is making good progress. The Group aims to commence the trial-run production of new amino acids as soon as they are ready.

Benefiting from the rising crude oil price and awareness of eco-friendliness, there is a potential for improvement in the demand and the selling price of polyol chemicals in 2011. Following its resumption of profitability in 2010, the polyol chemical operations are gaining momentum for its upscaling. Widened application and market acceptance of polyol chemicals in various industrial sectors are paving the way for the product's intensified market penetration. The Group is going to embark on the development of a 500,000 metric tonnes polyol chemical facility in Xinglongshan. However, the development will be carried out in phases, in line with the sales performance of the product.

The Group's research on application of non-food crop as raw material for downstream production has progressed further. Laboratory tests on the refining of corn stalk for the production of polyol chemical have generated favourable results. The Group will carry out further large-scale tests in 2011.

The Group completed a rights issue in July 2010, raising net proceeds of HK$676 million. The exercise helped reduce bank borrowings and improve working capital of the Group.

To accelerate its development both in terms of product range and market reach, the Group is actively identifying capable strategic partner for technology, production, as well as sales distribution cooperation. We believe it is essential for the Group to remain innovative in technology development and operation approach to stay in the forefront of the industry.

The Group is celebrating its 10th anniversary of its listing in 2011. During the past 10 years, the Group had been striving to expand its business and product series. From corn starch, its portfolio has now grown to encompass a series of high value-added bio-fermentation products, including: lysine, polyol chemicals and corn sweeteners, etc. The Group has now become the world's largest lysine producer, with products sold to various markets across the world, including Europe, America, Asia, etc. The Group is also the largest vertically integrated corn based biochemical products producer in Asia. Its annual corn processing capacity reaches 3 million metric tonnes. The Group's sweeteners business even achieved a spin-off and separate listing in 2007.

Innovative operation is always a top priority for the Group. In the past decade, the Group ploughed extensive resources into enhancing its production technology and process, as well as new product development. With respect to product chain extension, the Group independently developed protein lysine, which has already gained wide market recognition and become the mainstream product in the lysine market. The Group is also the first enterprise in the world to successfully utilize corn as the raw material in chemical production, to carry out commercial production of polyol chemicals. These products have begun to gain market acceptance. We will continue to broaden the product line of amino acids, and strive to explore the use of non-food materials in production processes, so as to reduce production cost while making contribution with lower resources consumption.

Going forward, we will continue to uphold our prudent development approach to cope with the complicated and ever changing market environment and steer the Group ahead.

On behalf of the Board, we would like to express our sincere gratitude to shareholders and investors, as well as our business partners for their continued support to the Group in the past decade.

Liu Xiaoming
Co-chairman

Xu Zhouwen
Co-chairman

30 March 2011

The Group is principally engaged in the manufacture and sale of corn based refined products, categorised into upstream and downstream products. Upstream products include corn starch, gluten meal and other corn refined products. Corn starch is then further refined into a wide range of high value-added downstream products including amino acids, corn sweeteners, modified starch and polyol chemical products.

BUSINESS ENVIRONMENT

The global market has been improving despite the outbreak of the European countries financial problems and the slow growth of United States economy during the year 2010. The recovery momentum of the global market has been accelerated in the second half of 2010, in terms of market demand improvement from both the overseas markets and PRC markets. Export sales increased and accounted for approximately 23% (2009: 16%) to the Group's revenue. Nevertheless, PRC remains the major market of the Group with strong domestic operation and stable domestic market share. The PRC economic recovery was rather drastic as the PRC government's economy stimulating policies were successful which drove the demand for amino acids products, including, lysine products, increased sharply in 2009. Such policies continued in 2010, however, at a moderate way. As a result, the average selling price of the amino acids products increased by approximately 25% as compared with last year. On the contrary, the sales volume of lysine products of the Group decreased by approximately 11% to approximately 510,000 metric tonnes (2009: 574,000 metric tonnes). Despite of the drop of sales volume, the sharp increase of average selling price of the amino acids products reflected the recovery pace of global economy during 2010 and was the main contributor for the significant improvement of the Group's performance for the year of 2010.

Though the PRC government increased the supplies of corn kernels by auctions from the country's corn reserve, the corn kernels price increased during 2010 as our management forecasted due to the natural disasters in early 2010 and the inflation since the last quarter of 2010 in PRC. After the implementation of price restriction policies by PRC government, particularly on agriculture products, the price, net of value-added tax, of corn kernels has been stabilised at about RMB1,700 per ton recently. However, our management still expected the corn price to rise gradually owing to the inflation in PRC, therefore, the Group increased the purchase of corn kernels since 2010 in order to stabilise the costs of corn kernels and this strategy is expected to continue in 2011.

The average selling price of our polyol chemicals has increased by 40% to about HK$7,803 per ton (2009: HK$5,586 per ton) during 2010 driven by the sound recovery in chemical market price that was strongly influenced by the increasing crude oil price during 2010. Furthermore, the protest outbreak since January 2011 in the Middle East and North Africa pushed the crude oil to over US$100 a barrel lately. A significant drop for the crude oil will not be expected even the aforesaid protest has been over because the global economy will continue to grow in 2011 with the easing monetary policies in the United States and Japan. As the selling price of our polyol chemicals is highly correlated with the crude oil price, the improvement in the polyol business is expected to continue in 2011.

FINANCIAL PERFORMANCE

(Revenue: HK$9,315 million (2009: HK$7,838 million))
(Gross profit: HK$1,567 million (2009: HK$1,057 million))
(Net profit: HK$374 million (2009: net profit of HK$14 million))

The enhanced financial performance was mainly due to the significant improvement of average selling price of all products of approximately 18% as compared with the corresponding period last year.

Upstream products segment

(Revenue: HK$2,777 million (2009: HK$2,354 million))
(Gross profit: HK$243 million (2009: HK$287 million))

During the Year, the average costs of corn kernels increased by approximately 14% to RMB1,556 per ton (2009: RMB1,367 per ton) while the average selling price of corn starch increased by approximately 32% to approximately HK$2,843 per ton (2009: HK$2,146 per ton) as compared to the corresponding period last year.

The average selling price and sales volume of upstream products during the Year increased by approximately 15% and approximately 3% respectively as compared to the corresponding period last year. However, the gross profit decreased to approximately HK$243 million resulting from the increase in the cost of corn kernels. Despite the substantial improvement of the corn starch market during the Year, selling price for those upstream by-products increased by approximately 2% only, such increase could not offset the increased margin of the costs of corn kernels and other related direct costs. As a result, the overall performance of the upstream products in 2010 slightly decreased.

Downstream products segment

(Revenue: HK$6,372 million (2009: HK$5,348 million))
(Gross profit: HK$1,316 million (2009: HK$769 million))

The revenue and gross profit of downstream products increased substantially by approximately 19% and approximately 71% respectively during the Year, which was mainly attributable to the rise of selling prices of most of our downstream product series. Sales volume almost remained unchanged as there was a decline in the sales volume of amino acids but at the same time an increase in the sales volume of corn sweeteners. The changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Year as compared to the last year are summarised as follows:

	Change of downstream product series for the Year				
Product series	**Sales Volume**	**Average selling price**	**Average cost of good sold**	**Revenue**	**Gross profit**
Amino acids	(11%)	25%	15%	11%	51%
Modified starch	6%	23%	22%	30%	36%
Corn sweeteners	15%	26%	30%	45%	27%
Polyol chemicals	(10%)	40%	12%	26%	218%
Overall	(1%)	21%	12%	19%	71%

Among those downstream product series, the revenue and gross profit of amino acids for the Year of approximately HK$4,001 million (2009: HK$3,606 million) and approximately HK$981 million (2009: HK$652 million), accounted for approximately 43% (2009: 46%) and approximately 63% (2009: 62%) of the Group's total revenue and gross profit, respectively. The sales volume of amino acids decreased by approximately 11% as compared with the corresponding period last year because the aggressiveness in restoration of stock level by the customers in early 2009 has been relieved in 2010. However, with the rise of selling price by approximately 25% over the last year, gross profit of amino acids increased by approximately 51% as compared with the corresponding period last year.

The modified starch division has been resuming gradually during the Year. This division contributed a gross profit of approximately HK$32 million (2009: HK$24 million) to the Group during the Year.

The polyol chemicals division generated revenue of approximately HK$824 million (2009: HK$655 million). The gross profit contributed from this division during the Year amounted to approximately HK$89 million (2009: gross loss of HK$75 million). The improved performance was mainly due to the rebound of crude oil price during the Year, which drove the selling price of those related refined chemical products increased sharply. Moreover, no additional provision of closing inventories of polyol chemical products at 31 December 2010 (2009: HK$91 million) was made. The sales volume dropped by approximately 10% as the Group is in the progress of penetrating into new high-end markets for higher selling prices and the sales volume of same products has been slow down. The Directors expect that the growth in the sales of the polyol chemicals will accelerate in 2011. In the view of the stability of crude oil price and the familiarity of green products, the Directors believe that our polyol chemicals division would operate considerable profitably in foreseeable future.

Benefiting from the historical high sugar price, operating environment of corn sweeteners was positive, the sales volume and revenue of corn sweeteners division increased substantially by approximately 15% and approximately 45% respectively compared with the corresponding period last year. The demand and selling price of glucose and maltose picked up rapidly during the Year, this division contributed a gross profit of approximately HK$214 million (2009: HK$169 million) to the Group during the Year.

Biological products segment

Since 2009, Global Sweeteners Holdings Limited ("GSH") (stock code: 03889), a Hong Kong listed company and an indirect non-wholly owned subsidiary of the Company, has started launching food related products for the strategy of product diversification. A joint venture of which GSH holds approximately 62% equity interest indirectly has been set up for launching high end beef products for both wholesale and retail sales in the PRC. During the Year, the business recorded a revenue and gross profit of approximately HK$166 million (2009: HK$137 million) and approximately HK$8 million (2009: HK$1 million) respectively.

Product segment

The revenue and gross profit of upstream products accounted for approximately 30% (2009: 30%) and approximately 16% (2009: 27%) of the Group's totals, respectively. There was no significant change on product segment, however, the percentage of gross profit contributed by the upstream products decreased because of the limited improvement in the selling price of upstream products other than corn starch.

Other revenue, operating expenses, finance costs and income tax

During the Year, other revenue of the Group sharply increased to approximately HK$139 million (2009: HK$87 million) which was mainly contributed by the increase in the government grants from PRC local authorities for the purpose of tax refunds and the rewards for environmental protection, technology innovation and improvement.

The selling and distribution costs of approximately HK$551 million (2009: HK$435 million) increased by approximately 27% over the last year and represented approximately 5.9% (2009: 5.5%) of the Group's revenue for the Year. The increase was mainly due to the increase in export sales volume and higher transportation costs arising from the rise of petroleum price.

The administrative expenses of approximately HK$270 million (2009: HK$265 million) increased by approximately 2% over the last year and represented approximately 2.9% (2009: 3.4%) of the Group's revenue for the Year. The administrative expenses were stable as the Group continued to impose stringent control over such expenses.

The other operating expenses for the Year amounted to approximately HK$24 million (2009: HK$74 million) comprising mainly the legal expenses spent for the infringement litigations amounting to approximately HK$15 million (2009: HK$25 million).

Owing to the enlarged borrowing portfolio, the finance costs of approximately HK$379 million (2009: HK$307 million) increased by approximately 23% as compared to the corresponding period last year. The interest capitalised as fixed assets increased to approximately HK$70 million (2009: HK$43 million) for the Year. It is anticipated that the pressure from finance costs will remain heavy for 2011.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can still enjoy income tax relief. However, as the tax holiday of those profitable entities had been expired while those entities still enjoying tax relief operated at losses during the Year. As a result, income tax amounting to approximately HK$110 million (2009: HK$51 million) was charged for the Year. The overall effective tax rate of the Group for 2010 drastically decreased to approximately 23% (2009: 79%) as the effective tax rate was at an exceptional high level in 2009 owing to the operating loss of the Group in 2009.

Profit shared by non-controlling shareholders

During the Year, profit shared by the non-controlling shareholders of GSH amounted to approximately HK$42 million (2009: HK$29 million). The sharp increase was mainly due to the performance rebound of sweeteners division and a dilution of the equity interest in GSH from approximately 67% to approximately 52% as a result of the offering of Taiwan Depositary Receipts ("TDR") by GSH in Taiwan in March 2010, comprising the issue of new shares by GSH, and the sale of existing shares in GSH held by the Company's wholly-owned subsidiary.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support the strategy of maintaining high stock level of corn kernels and working capital requirement for additional upstream capacity and the capital expenditure on project expansions in Xinglongshan of Changchun, the net borrowings as at 31 December 2010 increased to approximately HK$6.7 billion (31 December 2009: HK$5.1 billion).

Structure of interest bearing borrowings

As at 31 December 2010, the Group's bank borrowings amounted to approximately HK$8.4 billion (31 December 2009: HK$6.7 billion), of which approximately 7% (31 December 2009: 11%) were denominated in Hong Kong dollars or US dollars while the remainder were denominated in RMB. The average interest rate during the Year was approximately 5.4% (2009: 5.7%).

The percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 50% (31 December 2009: 66%) and approximately 34% (31 December 2009: 34%) and approximately 16% (31 December 2009: less than 1%) respectively. The change was mainly due to the entering into of a series of ten years' loans of RMB1.2 billion for Xinglongshan projects drawn during the Year. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. The turnover days of trade receivables remained at a relatively high level which has recorded to approximately 75 days (2009: 74 days) for the Year. Meanwhile, the trade creditors turnover days decreased to approximately 36 days (2009: 44 days) because the Group expedited the payment of account payable for the relative tight supply of materials at the end of the Year. On the other hand, due to the additional purchases of corn kernels during the Year to prevent the anticipated upward costs trend of corn kernels in 2010, the stock level of raw materials as at 31 December 2010 became relatively high so that the inventory turnover days increased to approximately 197 days (2009: 140 days).

Because of the decrease of short term bank borrowings, the increase of operating cash inflow, high level of inventories and accounts receivable, the current ratio and the quick ratio as at 31 December 2010 improved to approximately 1.5 (31 December 2009: 1.0) and 0.8 (31 December 2009: 0.6) respectively. At the same time, due to the additions of interest bearing borrowings, gearing ratio in term of net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) deteriorated to 69% (31 December 2009: 64%). Moreover, gearing ratios in terms of (i) bank borrowings to total assets and (ii) bank borrowings to total equity increased to approximately 42% (31 December 2009: 40%) and 87% (31 December 2009: 84%), respectively. In view of the continual support from existing bankers, the Group can obtain continuous financing resource for its operation.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavorable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2010.

LISTING OF TDR OF GSH ON TAIWAN STOCK EXCHANGE

On 25 March 2010, 100 million units of TDR, which represented 100 million new shares of GSH allotted and issued by GSH and 100 million existing shares of GSH transferred by a wholly owned subsidiary of the Company were offered by them for subscription and purchase in Taiwan and were listed on the Taiwan Stock Exchange (the "TDR Issue"). The net proceeds raised by the Group, including GSH, in respect of the TDR Issue amounted to approximately HK$367 million. Upon completion of the TDR Issue, the Company's indirect interest in GSH reduced from approximately 67% to approximately 52%. The TDR Issue constituted a disposal and deemed disposal of interest in GSH for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RIGHTS ISSUE

In July 2010, the Company raised approximately HK$679 million, net of expenses, by way of a fully underwritten rights issue, offering its shareholders two rights shares for every five existing shares held at a subscription price of HK$0.75 per one rights share. The net proceeds were used for the repayment of existing loans and general working capital of the Group.

PROSPECT

2010 is a year of rebound. With the rebound of the global economy and the effort of our management, the Group has rode out from the global financial tsunami achieving ideal results for 2010 recovered from the loss in 2009. In 2011, it is believed that the global economy will be growing at a relative steady pace compared with 2010. The trend of inflation is developing around the world since 2011 and the recent development of protest in the Middle East and North Africa pushed the crude oil increased over US$100 a barrel recently, which are forcing a lot of European and Eastern Asia countries adopting contraction policies to avoid inflation. It may affect the growth of the global economy for the rest of 2011, however, such adverse effect to our Group is expected to be limited because we would be able to pass the risk to our customers by rising the selling price of our products, particularly, our polyol chemicals, which are highly correlated with the crude oil price. Moreover, the strategy of increasing of stock level of corn kernels will continue to avoid fluctuation on raw material cost in 2011, as well as the Group's superiority on the market shares in our businesses, the Directors believe the Group can catch the chance and overcome the problems of costs increase from the global inflation.

The Group will strive to enlarge its market share and diversify its product mix, as well as enhancing its capability in developing high value-added downstream products through research and development and through strategic business alliances with prominent international market leaders. Apart from the organic growth strategy, the Group makes effort to identify appropriate strategic business partners, so as to capture business opportunities and create an integrated value chain. The Board will endeavor to manage the existing businesses and any new investment of the Group prudently in order to maximise the return and wealth to the Shareholders.

Polyol project

Polyol chemicals, including ethylene glycol, propylene glycol, glycerin and butanediols, can be used in textile, plastic, construction materials, medical, chemical and cosmetic industries. The end products from polyol include polyester fibre, polymer resin and anti-freezer, chemicals applied in the production of coatings, PVC stabilisers, detergents, paint driers, etc. Usually, polyol chemicals are refined from crude oil and thus, their prices are highly correlated. In view of the insufficient supply of crude oil in long run and the consciousness of eco-friendly businesses, the Directors believe that the use of agricultural products as raw material of polyol chemicals becomes a feasible alternative.

The utilisation rate of the polyol chemicals will continue to improve owing to the increase of crude oil price and the efforts in exploring new markets. In order to capture the huge potential market, the Group has completed the construction of the upstream facilities in 2010 in Xinglongshan of Changchun, the second phase of polyol chemicals facilities is currently under construction and is expected to be completed in 2012. The Board believes this expansion of the capacity of polyol chemicals in Xinglongshan will precipitate polyol chemicals business to become the main growth driver to the Group. It is expected the success in the polyol project will generate large contribution to the Group in future.

Amino acids

Currently, the aggregate annual planned production capacity of amino acids is enhanced to around 500,000 metric tonnes and those facilities can be interchangeable to produce different amino acids or fermentation products such as lysine, protein lysine and threonine. Driven by the enormous demand from the market, the Group expects to fully utilize its facilities. The Board is also further extending its amino acids product series through fermentation of new high value-added amino acids products such as arginine and methionine.

It is anticipated that the demand of the lysine will continue to grow in coming years. To maintain the Group's dominant position in the market, the Group will increase production volume in long run by extending production yields and efficiency and furthermore expand its production capacity accordingly.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently proposed respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, The Hague District Court, on 22 August 2007, handed down its judgment that the Group's L-lysine products had infringed two patents of third parties and issued orders (i) prohibiting the Group from further infringement and the offer for sale, import and/or trade of any infringing products, L-lysine products in the Netherlands with immediate effect and (ii) compensate the damages of the plaintiffs to be assessed by the court. The Directors believe the judgment to be incorrect and an appeal against the court's judgment had been lodged.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has sufficient grounds to defend against the claims. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, there was no material contingent liability of the Group as at 31 December 2010.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2010, the Group had approximately 6,000 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 capability and development of new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

LIU Xiaoming aged 55, is the Co-Chairman of the Group. He is responsible for the Group's overall business development, as well as the formulation of corporate direction and strategies. He holds a bachelor's degree in chemical engineering from the Hua Nan Polytechnic University. Mr. Liu was appointed as an executive director of the Company in 2001.

XU Zhouwen aged 68, is the Co-Chairman of the Group. He is responsible for formulating and implementing the Group's product diversification strategies, managing the Group's product development and technology research, as well as supervising the Group's overall production and operations. He graduated from the Harbin Electric University in 1970. Mr. Xu was appointed as an executive director of the Company in 2001. Mr. Xu was appointed as an executive director of Global Sweeteners Holdings Limited ("GSH") in October 2010. He is the husband of Ms. Zhang Xiuzhen, a senior management of the Group.

WANG Tieguang aged 46, is responsible for the Group's sales and marketing functions. He holds a bachelor's degree in economics from the University of Heilongjiang. Mr. Wang resigned as an executive director of the Company on 29 September 2010.

WANG Guifeng aged 60, is responsible for overseeing the finance, management accounting and treasury functions of the Group. Ms. Wang graduated from Changchun Vocational University, majoring in industrial accountancy. She is a member of the Chinese Institute of Certified Public Accountants with over 20 years of experience in accounting and financial resources management. Ms. Wang was an executive director of GSH from September 2007 to September 2010, the Company's subsidiary whose shares are listed on The Stock Exchange of Hong Kong Limited. Ms. Wang was appointed as an executive director of the Company on 29 September 2010.

ZHANG Fusheng aged 38, is responsible for the marketing and sales functions of the Group and he has over 11 years of experience in production, sales and marketing in the PRC. He was accredited as one of the Ten Outstanding Youth Entrepreneurs by Changchun City in 2004. Mr. Zhang was an executive director of GSH from September 2007 to December 2009. Mr. Zhang graduated from Commerce Department of Jilin University, majoring in business administration. Mr. Zhang was appointed as an executive director of the Company on 29 September 2010.

CHEUNG Chak Fung aged 46, is the financial controller of the Group. He has over 20 years' experience in financial reporting, budgetary control and secretarial practice. He has worked with the Group since 2000. Mr. Cheung was the company secretary of the Company from June 2004 to April 2010. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. Mr. Cheung was appointed as an executive director of the Company on 29 September 2010.

NON-EXECUTIVE DIRECTOR

Patrick E BOWE aged 52, is the President of Cargill Sweeteners North America and is responsible for all aspects of Cargill's sweeteners business. He holds a master's degree in economics from Standford University, the United States and has over 25 years of experience in corn milling and sweetener operations. He resigned as an non-executive director of the Company on 29 September 2010.

Steven C WELLINGTON (alternate director to Patrick E BOWE) aged 57, is the Business Development Manager of Cargill Sweeteners North America and is responsible for the development of corn milling exports and investment opportunities in Asia. He resigned as an alternate director of Mr. Bowe on 29 September 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 50, is a Certified Public Accountant and has been practising since 1990. Graduated from the University of Sunderland, the United Kingdom, he holds a Bachelor of Arts Degree in Business Studies. He has over 20 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently a member of the Advisory Committee on Travel Agents and board member of the Ocean Park Corporation. He was appointed as an independent non-executive director of the Company in 2001. Mr. Lee is an independent non-executive director of FAVA International Holdings Limited and was an independent non-executive director of China Best Group Holding Limited (resigned on 21.8.2008), both are listed companies in Hong Kong.

CHAN Man Hon, **Eric** aged 54, is a solicitor and has been practising in Hong Kong for over 25 years. Mr. Chan holds a bachelor's degree in law from the University of Hong Kong and a master's degree in Business Administration from The Chinese University of Hong Kong. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1981 and is a consultant of Messrs. Vincent T. K. Cheung, Yap & Co. He was appointed as an independent non-executive director of the Company in 2001. Mr. Chan is an independent non-executive director of Emperor International Holdings Limited and a non-executive director of Southeast Asia Properties & Finance Limited, both are listed companies in Hong Kong.

LI Defa aged 56, is the Dean of the College of Animal Science and Technology, China Agricultural University. He has a Ph.D. in animal science from Kansas State University, the United States of America as well as a master's degree in animal science from Beijing Agricultural University. Before becoming the Dean of the College of Animal Science and Technology, China Agricultural University, Mr. Li had been a director of National Feed Engineering Technology Research Centre and Ministry of Agriculture Feed Industry Centre. He was appointed as an independent non-executive director of the Company in September 2004.

SENIOR MANAGEMENT

LI Weigang aged 52, has a master's degree in banking and finance from the University of Wales, the United Kingdom, as well as a master's degree in economics from The Graduate School of Chinese Academy of Social Sciences. Prior to joining the Group as assistant general manager in 2001, Mr. Li has held senior positions in various financial institutions in the PRC, with responsibility in corporate finance and general management.

QI Hongbin aged 44, is the dean of design and research institute and director of development centre of the Group. He holds a master's degree from the Jilin Agricultural University, specialising in mechanical engineering. He has over 10 years' experience in process engineering and technology development. He joined the Group in 1996.

CHU Lalin aged 48, is the chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 20 years of experience in mechanical and food engineering. He joined the Group in 1996.

WANG Dehui aged 42, is the assistant chief engineer of the Group. He holds a master's degree in science from the Jilin Agricultural University and has extensive of experience in food engineering and organic engineering. He joined with the Group in 1997.

ZHANG Xiuzhen aged 66, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC. She joined the Group in 1996. She is the wife of Mr. Xu Zhouwen, an executive Director.

CHEUNG Kin Po aged 39, has been appointed as the company secretary of the Company with effect from 20 April 2010. He joined the Group in 2007 as Financial Manager. He holds a bachelor's degree in Commerce from the University of Auckland in New Zealand. He is currently a Certified Practising Accountant of the CPA Australia and an associate of Hong Kong Institute of Certified Public Accountants. He has over 15 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial function.

The Company is committed to maintaining high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the Group's corporate governance guidelines and developments. It is our belief that, during the year ended 31 December 2010, the Group has complied with the code provisions as laid down in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Corporate Governance Report as set out in Appendix 23 to the Listing Rules. The Board has also reviewed the Group's corporate governance practices and is satisfied that the Group has been in full compliance with all the code provisions of the Code throughout the Year.

THE BOARD

Member Attendance of Board and Committee Meetings for the year 2010

	Meetings Attended and Held		
	Board Meeting	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Liu Xiaoming	9/9		
Xu Zhouwen	9/9		
Wang Tieguang*	4/9		
Wang Guifeng**	1/9		
Zhang Fusheng**	1/9		
Cheung Chak Fung**	1/9		1/2
Non-Executive Director			
Patrick E Bowe*	0/9		
Steven C Wellington, (alternate director to Patrick E Bowe)*	0/9		
Independent Non-Executive Directors			
Lee Yuen Kwong	6/9	2/2	2/2
Chan Man Hon, Eric	6/9	2/2	2/2
Li Defa	2/9	2/2	

As of the date of this report, the Board comprised eight Directors, being five executive Directors and three independent non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Detailed biographies outlining each individual Directors' range of specialist experience and expertise are set out in pages 14 to 15 of this report.

* resigned on 29 September 2010
** appointed on 29 September 2010

The Group believes that its independent non-executive Directors comprise a good mix of local and overseas experts, financial consultants and industry experts. The Board believes that such composition is ideally qualified to advise the management team on future strategy development, financial and other statutory requirements, and to act as guardians of shareholders' interests. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As at the date of this report, the Board considers that all independent non-executive Directors are independent and in full compliance with the independence guidelines as laid down in the Listing Rules.

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Measures were taken to ensure that the Board is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Specific topics discussed at these quarterly Board meetings include: overall strategy; major acquisitions and disposals; annual budgets; interim and annual results; recommendations on Directors' appointment(s) or reappointment(s); matters relating to share capital; approval of major capital projects; dividend policies; and other significant operational and financial matters. All businesses transacted at individual Board meetings are recorded in the minutes of each meeting. All Board members have access to the advice and services of the Company Secretary. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

The Board decides on corporate strategies, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim accounts for the Board's approval; implementation of strategies approved by the Board; monitoring of operating budgets; the implementation of internal controls procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

All new Directors, if any, will be briefed about the duties, responsibilities and obligations as a director of a listed company. Newly-appointed Directors are also encouraged to discuss with the Chairman any additional information or training they may require, to more effectively discharge their duties.

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

The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability that may arise from their performance of their duties.

In compliance with the Code, the Company has set up an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee"). The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practises of the Code to set up a nomination committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Liu Xiaoming and Mr. Xu Zhouwen are the chairmen of the Company. During the Year, the Company did not have any officer with the title "chief executive officer". The duties of a chief executive officer are substantially undertaken by the co-chairmen of the Company. Mr. Xu is mainly responsible for overseeing the operations of the Group in Mainland China while Mr. Liu is mainly responsible for providing leadership to the Board.

Term of Appointment of Non-executive Directors

Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric were appointed as independent non-executive Directors on 1 March 2003. Under their current appointment letters, their appointments are for a term of two years commencing on 1 March 2011. Mr. Li Defa was appointed as independent non-executive Director on 16 September 2004. Under his current appointment letter, his appointment is for a term of two years commencing on 15 September 2010.

DIRECTORS' REMUNERATION

During the Year under review, Directors' remuneration is as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Fees	**840**	840
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**8,580**	8,160
Performance related bonuses	**15,000**	—
Pension scheme contributions	**24**	24
	23,604	8,184
Total	**24,444**	9,024

According to the Directors' service contracts, each of the existing executive Directors is entitled to a management bonus. The aggregate amount of the bonuses payable to all the executive Directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2010, the aggregate amount of the bonuses payable to the executive Directors was equivalent to 4.3% (2009: Nil) of the net profit from ordinary activities attributable to equity holders.

(a) Independent Non-executive Directors

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

	2010 **HK$'000**	2009 HK$'000
Chan Man Hon, Eric	**360**	360
Lee Yuen Kwong	**360**	360
Li Defa	**120**	120
Total	**840**	840

There were no other emoluments payable to the independent non-executive Directors during the Year (2009: Nil).

(b) Executive Directors

	Basic salaries, housing benefits, other allowances and benefits in kind **HK$'000**	**Performance scheme related bonuses** **HK$'000**	**Pension contributions** **HK$'000**	**Total remuneration** **HK$'000**
2010				
Executive Directors:				
Liu Xiaoming	**3,000**	**5,500**	**12**	**8,512**
Xu Zhouwen	**3,000**	**5,500**	**–**	**8,500**
Wang Tieguang*	**1,620**	**–**	**9**	**1,629**
Wang Guifeng**	**450**	**2,000**	**–**	**2,450**
Zhang Fusheng**	**150**	**1,000**	**–**	**1,150**
Cheung Chak Fung**	**360**	**1,000**	**3**	**1,363**
Total	**8,580**	**15,000**	**24**	**23,604**
2009				
Executive Directors:				
Liu Xiaoming	3,000	–	12	3,012
Xu Zhouwen	3,000	–	–	3,000
Wang Tieguang	2,160	–	12	2,172
Total	8,160	–	24	8,184

* resigned on 29 September 2010
** appointed on 29 September 2010

The Board reviewed the nomination procedures and the process and criteria adopted by the Board to select and recommend candidates for directorship in one of the Board meeting during the year. All Directors were present at that meeting.

During the meeting, the Board reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, identified individuals suitably qualified to become Board members, assess the continual independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations and consider and recommend the re-election of the retiring Directors.

In selecting a suitable candidate to become a member of the Board, the Board will consider various criteria such as education, qualification, experience and reputation of such candidate.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements 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 three independent non-executive Directors. The Chairman of the Audit Committee is Mr Lee Yuen Kwong, who is a Certified Public Accountant and has been practicing since 1990. The other members of the Audit Committee is Mr Chan Man Hon, Eric, who is a solicitor and has been practicing in Hong Kong for over 20 years and Mr Li Defa, who is the Dean of the College of Animal Science and Technology, China Agricultural University.

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

INTERNAL CONTROL

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their effectiveness. The role of the Group's management is to implement all Board policies on risk and control.

The Group's internal control systems are designed to provide reasonable protection of the Group's assets, and to safeguard these assets against unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for operation and for reporting purposes. The Group has adopted proper procedures with duly assigned levels of authority in areas of financial, operational and compliance controls and risk management to ensure that its assets and resources remain secure at all times.

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

In September 2010, the Board has engaged Grant Thornton Certified Public Accountants to conduct a review of the effectiveness of the system of internal control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee. The Board has conducted a review of the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and Grant Thornton and considered that the internal control system and procedure of the Group were effective and adequate.

REMUNERATION COMMITTEE

The members of the Remuneration Committee comprise two independent non-executive Directors, namely, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric and one executive Director, Mr. Cheung Chak Fung. Mr. Chan is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

In 2010, the Remuneration Committee held two meeting to review and approve the Directors' and senior management's remuneration packages.

REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their remuneration with the Group's performance and to evaluate their remuneration against corporate goals, so that the interests of the executive Directors are aligned with those of shareholders. No Director is allowed to approve his or her own remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of the Company's Directors, the Directors have complied with the required standard set out in the code of conduct and the Model Code throughout the Year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2010, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgements and estimates that are appropriate, and prepared the accounts on the going concern basis.

The Group has announced its annual and interim results in a timely manner within the limits of 3 months and 2 months respectively after the end of the relevant period, as laid down in the Listing Rules.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, HK$7,208,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$2,400,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation compliance	80
Others	1,013
Total	1,093

COMMUNICATION WITH SHAREHOLDERS

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

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors.

Based on the information that is publicly available to the Group and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Group has maintained the prescribed amount of public float during the year 2010 and up to the date of this annual report as required by the Listing Rules.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2010.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2010.

30 March 2011

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products, corn based sweetener products and corn based biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 108.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 16 May 2011. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, and restated as appropriate, is set out on page 109. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 3 September 2007, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

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

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME (continued)

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

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

The subscription price for the Shares under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

During the Year, no share option was granted pursuant to the Scheme and no share option was outstanding as at 31 December 2010.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

GSH operates a share option scheme (the "GSH Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of GSH and its subsidiaries (the "GSH Group"). The GSH Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

Eligible participants of the GSH Scheme include the following:

(i) any employee of proposed employee (whether full time of part time) of the GSH Group or any entity ("Invested Entity") in which any member of the GSH Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the GSH Group or any Invested Entity;

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

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

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

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

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

(viii) any other groups or classes or participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the GSH Group.

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

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

The maximum number of unexercised share options currently permitted to be granted under the GSH Scheme is an amount equivalent, upon their exercise, to 30% of the shares of GSH in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of GSH in issue at any time. Any further grant of share options in excess of this limit is subject to GSH shareholders' approval in a general meeting.

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

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

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

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

	Number of share options								Price of GSH's shares		
Participants	At 1 January 2010	Lapsed during the year	Exercised during the year	At 31 December 2010	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options HK$	Immediately before the grant date HK$	Weighted average closing price immediately before the exercise date HK$	At exercise date of options HK$
Lee Chi Yung	3,000,000	–	–	3,000,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	330,000	–	–	330,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	368,000	(164,000)	(204,000)	–	17 September 2008	17 September 2009 to 16 September 2011	17 September 2008 to 17 September 2009	0.99	0.87	1.57	1.61
	3,698,000	(164,000)	(204,000)	3,330,000							

At 31 December 2010, the share options granted to subscribe for 3,330,000 shares of GSH remained outstanding, representing approximately 0.29% of the total issued shares capital of GSH at that dates. No share options to subscribe for shares have been granted or cancelled during the year ended 31 December 2010.

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

As at the date of this annual report, 3,330,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 0.29% of the issued share capital of GSH at that date.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounting to approximately HK$640,779,000. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$2,694,109,000 as at 31 December 2010 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 13% of the total sales for the year and sales to the largest customer included therein accounted for 4% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 78% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 55% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Liu Xiaoming	
Xu Zhouwen	
Wang Guifeng	(appointed on 29 September 2010)
Cheung Chak Fung	(appointed on 29 September 2010)
Zhang Fusheng	(appointed on 29 September 2010)
Wang Tieguang	(resigned on 29 September 2010)

Non-executive directors:

Patrick E Bowe	(resigned on 29 September 2010)
Steven C Wellington	(resigned on 29 September 2010)

Independent non-executive directors:

Lee Yuen Kwong
Chan Man Hon, Eric
Li Defa

DIRECTORS (Continued)

According to article 108(A) of the articles of association of the Company, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Liu Xiaoming and Mr. Li Defa will retire as Directors and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Pursuant to article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company (in the case of a Director appointed to fill a casual vacancy) or the next following annual general meeting of the Company (in the case of a Director appointed as an additional Director) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

By virtue of article 112 of the articles of association of the Company, the office of Ms. Wang Guifeng, Mr. Zhang Fusheng and Mr. Cheung Chak Fung, all being executive Directors, will end at the forthcoming annual general meeting. Ms. Wang Guifeng, Mr. Zhang Fusheng and Mr. Cheung Chak Fung, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 14 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of Mr. Liu Xiaoming and Mr. Xu Zhouwen has entered into a service contract with the Company for a term of three years commencing on 1 March 2004, and each of Ms. Wang Guifeng, Mr. Zhang Fusheng and Mr. Cheung Chak Fung has entered into a service contract for a term of three years commencing on 29 September 2010. Each of the above service contract is renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party giving not less than three months' notice in writing.

Each of Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric has entered into an appointment letter with the Company for a term of two years commencing on 1 March 2009. Mr. Li Defa has entered into an appointment letter with the Company for a term of two years commencing on 15 September 2010.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year ended 31 December 2010.

There was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2010.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	*1*	19,090,400	489,048,000	508,138,400	15.65
Mr. Xu Zhouwen	*2*	24,155,600	295,456,000	319,611,600	9.85
Mr. Cheung Chak Fung		49,325	–	49,325	–

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

Name of director	*Note*	**Number of shares held**	**Approximate percentage of the issued share capital of GSH**
Mr. Cheung Chak Fung	*3*	10,000	–

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

Notes:

1. 489,048,000 shares are owned by LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.

2. 295,456,000 shares are owned by Crown Asia Profits Limited, a company incorporated in the BVI. The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen.

3. These shares are held by the spouse of Mr. Cheung Chak Fung. Under the SFO, Mr. Cheung is deemed, or taken to be, interested in all shares which his spouse is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 31 December 2010, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Name	*Notes*	Number of ordinary shares held		Percentage of the Company's issued share capital
LXM Limited	*1*	489,048,000	(L)	15.06
Crown Asia Profits Limited	*2*	295,456,000	(L)	9.10
Mr. Kong Zhanpeng	*3*	260,176,000	(L)	8.01
Mr. Wang Tieguang	*4*	254,369,920	(L)	7.84
Hartington Profits Limited	*3*	241,920,000	(L)	7.45
Rich Mark Profits Limited	*4*	241,920,000	(L)	7.45
FMR LLC	*5*	195,279,853	(L)	6.02
Deutsche Bank Aktiengesellschaft	*6*	164,854,821	(L)	5.07
		112,555,616	(S)	3.46
The Bank of New York Mellon Corporation	*7*	163,311,951	(L)	5.03
		51,957,891	(P)	1.60

L = long position; S = short position; P = lending pool

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

Notes:

1. The entire issued capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive director. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. The entire issued capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen, an executive director. Mr. Xu Zhouwen is the sole director of Crown Asia Profits Limited.

3. These shares were held as to 18,256,000 shares by Mr. Kong Zhanpeng, a former director of the Company and an executive director of Global Sweeteners Holdings Limited, a subsidiary of the Company whose shares are listed on the Stock Exchange and 241,920,000 shares by Hartington Profits Limited, a company incorporated in the BVI. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

4. These shares were held as to 12,449,920 shares by Mr. Wang Tieguang, a former director of the Company and 241,920,000 shares by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang. Mr. Wang Tieguang is the sole director of Rich Mark Profits Limited.

5. These Shares were interested by FMR LLC as investment manager. FMR LLC was deemed to be interested in all of these Shares by virtue of its controlled interest in Fidelity Management & Research Company.

6. Among these 164,854,821 shares of interest in long position, 586,821 shares and 164,268,000 shares of which are interest as beneficial owner and security interest in shares, respectively. Among these 112,555,616 shares of interest in short position, 330,616 shares and 112,225,000 shares of which are interest as beneficial owner and security interest in shares, respectively. 210,000 shares of interest in long position and 118,000 shares of interest in short position are derivative interests.

7. All of these Shares were held by The Bank of New York Mellon. The Bank of New York Mellon Corporation was deemed to be interested in all of these Shares in which The Bank of New York Mellon was interested by virtue of the SFO as interest of controlled corporation.

Save as disclosed above, as at 31 December 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

The related party transactions entered into by the Group in the year under review which are disclosed in note 33 to the financial statements did not fall under the definition of connected transaction or continuing connected transactions under Chapter 14A of the Listing Rules.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to a loan facility agreement dated 25 August 2010 entered into between the Company and a bank in Hong Kong, relating to a 6 to 30 months' term loan facility of US$55,000,000, a termination event would arise if, among others, (i) the directors of the Company cease to own beneficially, directly or indirectly, at least 40% of the shares in the Company's issued share capital; and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement.

At the end of the reporting period, the Group breached the above covenants. The lender has confirmed in writing their consent for the relaxation of the breached covenants, details of which have been disclosed in note 2.1 to the financial statements.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to date of this report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 37 to the financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

Hong Kong
30 March 2011

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**9,314,898**	7,838,301
Cost of sales		**(7,747,539)**	(6,781,781)
Gross profit		**1,567,359**	1,056,520
Other income and gains	5	**138,985**	86,811
Selling and distribution costs		**(550,733)**	(434,978)
Administrative expenses		**(269,927)**	(264,951)
Other expenses		**(24,378)**	(74,241)
Finance costs	7	**(378,546)**	(307,169)
Share of profits of jointly controlled entities	19	**1,196**	3,312
PROFIT BEFORE TAX	6	**483,956**	65,304
Income tax expense	10	**(110,296)**	(51,349)
PROFIT FOR THE YEAR		**373,660**	13,955
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation	14	**–**	186,119
Income tax effect	28	**–**	(46,500)
		–	139,619
Exchange differences on translation of financial statements of operations outside Hong Kong		**175,321**	(2,028)
Share of other comprehensive income of jointly controlled entities		**1,712**	(481)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**550,693**	151,065
Profit/(loss) attributable to:			
Owners of the Company	11	**331,726**	(14,978)
Non-controlling interests		**41,934**	28,933
		373,660	13,955
Total comprehensive income attributable to:			
Owners of the Company		**495,581**	117,571
Non-controlling interests		**55,112**	33,494
		550,693	151,065
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	13	**HK12.1 cents**	HK(0.6) cents
Diluted	13	**N/A**	N/A

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

Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**9,678,118**	9,110,180	8,960,535
Prepaid land lease payments	15	**650,284**	537,555	534,714
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**369,345**	339,416	231,101
Goodwill	16	**348,428**	348,428	348,428
Intangible assets	17	**27,684**	—	—
Deferred tax assets	28	**17,513**	16,516	2,192
Breeding biological assets		**7,535**	7,949	—
Investments in jointly controlled entities	19	**97,372**	94,465	91,634
Total non-current assets		**11,196,279**	10,454,509	10,168,604
CURRENT ASSETS				
Inventories	20	**4,185,172**	2,599,342	2,268,543
Trade and bills receivables	21	**1,920,988**	1,582,107	1,111,732
Prepayments, deposits and other receivables	22	**790,240**	745,876	357,894
Trading biological assets		**1,947**	1,219	—
Due from jointly controlled entities	33	**3,335**	704	2,685
Tax recoverable		**2,469**	8,429	29,182
Pledged deposits	23	**55,172**	23,596	—
Cash and cash equivalents	23	**1,679,496**	1,594,315	1,476,700
Total current assets		**8,638,819**	6,555,588	5,246,736
CURRENT LIABILITIES				
Trade and bills payables	24	**758,320**	817,439	1,057,996
Other payables and accruals	25	**760,911**	1,113,574	778,394
Interest-bearing bank borrowings	26	**4,153,113**	4,567,467	4,001,093
Due to a director	33	**—**	89,368	—
Due to jointly controlled entities	33	**17,299**	101	—
Tax payable		**84,296**	54,219	37,796
Total current liabilities		**5,773,939**	6,642,168	5,875,279
NET CURRENT ASSETS/ (LIABILITIES)		**2,864,880**	(86,580)	(628,543)
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,061,159**	10,367,929	9,540,061

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	26	**4,224,425**	2,172,966	1,538,910
Deferred tax liabilities	28	**127,316**	122,112	73,056
Deferred income	27	**36,543**	34,188	27,620
Total non-current liabilities		**4,388,284**	2,329,266	1,639,586
Net assets		**9,672,875**	8,038,663	7,900,475
EQUITY				
Equity attributable to owners of the Company				
Issued capital	29	**324,639**	231,885	231,885
Reserves	30(a)	**8,341,021**	7,249,993	7,132,648
Proposed final dividend	12	**32,464**	—	23,188
		8,698,124	7,481,878	7,387,721
Non-controlling interests		**974,751**	556,785	512,754
Total equity		**9,672,875**	8,038,663	7,900,475

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Note	Attributable to owners of the Company										
		Issued capital	Share premium account	Share option reserve	Asset revaluation reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009		231,885	1,820,205	1,992	141,092	237,413	859,514	4,072,432	23,188	7,387,721	512,754	7,900,475
(Loss)/profit for the year		–	–	–	–	–	–	(14,978)	–	(14,978)	28,933	13,955
Other comprehensive income for the year:												
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–	–	–	–	(2,396)	–	–	(2,396)	368	(2,028)
Gain on property revaluation		–	–	–	135,266	–	–	–	–	135,266	4,353	139,619
Share of other comprehensive income of jointly controlled entities		–	–	–	(544)	266	(43)	–	–	(321)	(160)	(481)
Total comprehensive income for the year		–	–	–	134,722	266	(2,439)	(14,978)	–	117,571	33,494	151,065
Establishment of a subsidiary		–	–	–	–	–	–	–	–	–	5,195	5,195
Equity-settled share option arrangement of a subsidiary group		–	–	(325)	–	–	–	99	–	(226)	5,342	5,116
Final 2008 dividend paid		–	–	–	–	–	–	–	(23,188)	(23,188)	–	(23,188)
Transfer from retained profits	30(a)	–	–	–	–	31,424	–	(31,424)	–	–	–	–
At 31 December 2009		231,885	1,820,205*	1,667*	275,814*	269,103*	857,075*	4,026,129*	–	7,481,878	556,785	8,038,663

	Notes	Attributable to owners of the Company											
		Issued capital	**Share premium account**	**Share option reserve**	**Asset revaluation reserve**	**Other reserve**	**Statutory reserve fund**	**Exchange fluctuation reserve**	**Retained profits**	**Proposed final dividend**	**Total**	**Non-controlling interests**	**Total equity**
		HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 January 2010		**231,885**	**1,820,205**	**1,667**	**275,814**	**–**	**269,103**	**857,075**	**4,026,129**	**–**	**7,481,878**	**556,785**	**8,038,663**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**331,726**	**–**	**331,726**	**41,934**	**373,660**
Other comprehensive income for the year:													
Exchange differences on translation of financial statements of operations outside Hong Kong		**–**	**–**	**–**	**–**	**–**	**–**	**162,961**	**–**	**–**	**162,961**	**12,360**	**175,321**
Share of other comprehensive income of jointly controlled entities		**–**	**–**	**–**	**–**	**–**	**88**	**808**	**–**	**–**	**896**	**816**	**1,712**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**88**	**163,769**	**331,726**	**–**	**495,583**	**55,110**	**550,693**
Capital injection by a non-controlling shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**43,294**	**43,294**
Issue of shares	29	**92,754**	**586,169**	**–**	**–**	**–**	**–**	**–**		**–**	**678,923**	**–**	**678,923**
Equity-settled share option arrangement		**–**	**–**	**(97)**	**–**	**–**	**–**	**–**	**43**	**–**	**(54)**	**256**	**202**
Dividend paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,495)**	**(5,495)**
Deemed disposal arising from Taiwan Depositary Receipts ("TDRs") offering by a subsidiary	30(a)	**–**	**–**	**–**	**–**	**41,794**	**–**	**–**	**–**	**–**	**41,794**	**324,801**	**366,595**
Proposed final 2010 dividend	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(32,464)**	**32,464**	**–**	**–**	**–**
Transfer from retained profits	30(a)	**–**	**–**	**–**	**–**	**–**	**42,432**	**–**	**(42,432)**	**–**	**–**	**–**	**–**
At 31 December 2010		**324,639**	**2,406,374***	**1,570***	**275,814***	**41,794***	**311,623***	**1,020,844***	**4,283,002***	**32,464**	**8,698,124**	**974,751**	**9,672,875**

* These reserve accounts comprised the consolidated reserves of the Group of HK$8,341,021,000 (31 December 2009: HK$7,249,993,000) in the consolidated statement of financial position as at 31 December 2010.

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**483,956**	65,304
Adjustments for:			
Finance costs	7	**378,546**	307,169
Bank interest income	5	**(2,442)**	(2,144)
Gain on disposal of items of property, plant and equipment	5	**(158)**	(1,780)
Loss/(gain) on disposal of breeding biological assets		**145**	(213)
Changes in fair value of biological assets		**2,940**	—
Depreciation	6	**524,209**	480,030
Amortisation of prepaid land lease payments	6	**19,349**	16,927
(Reversal of impairment)/impairment of trade receivables	6	**(15,867)**	41,293
Share of profits of jointly controlled entities	19	**(1,196)**	(3,312)
Write-down of inventories to net realisable value		**21,534**	42,996
Amortisation of deferred income	27	**(3,393)**	(2,021)
Equity-settled share option arrangement of a subsidiary group		**—**	885
		1,407,623	945,134
Increase in inventories		**(1,636,216)**	(373,795)
Increase in trade and bills receivables		**(322,268)**	(511,668)
Increase in prepayments, deposits and other receivables		**(41,950)**	(387,295)
Decrease in trade and bills payables		**(59,119)**	(240,557)
(Decrease)/increase in other payables and accruals		**(149,675)**	335,180
Increase in trading biological assets		**(1,931)**	(1,219)
Repayments from jointly controlled entities		**14,567**	2,082
Cash used in operations		**(788,969)**	(232,138)
Interest received		**2,442**	2,144
Hong Kong profits tax paid		**—**	(3,872)
Overseas taxes paid		**(71,076)**	(22,069)
Net cash flows used in operating activities		**(857,603)**	(255,935)

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows used in operating activities		**(857,603)**	(255,935)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(940,852)**	(510,833)
Proceeds from disposal of items of property, plant and equipment		**22,004**	3,517
Payment of prepaid land lease payments	15	**(125,216)**	(20,455)
Payment of acquisition consideration		**(202,988)**	—
Establishment of a subsidiary		**—**	5,195
Purchase of breeding biological assets		**(1,256)**	(8,853)
Proceeds from disposal of breeding biological assets		**—**	1,117
Increase in deferred income	27	**5,423**	8,589
Net cash flows used in investing activities		**(1,242,885)**	(521,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**6,067,903**	5,831,695
Repayment of bank loans		**(4,567,365)**	(4,631,265)
Repayment of other loans		**(1,368)**	—
Interest paid		**(378,546)**	(349,944)
(Decrease)/increase in an amount due to a director		**(89,368)**	89,368
Proceeds from equity-settled share options arrangement of a subsidiary group		**202**	4,231
Capital injection by a non-controlling shareholder		**43,294**	—
Proceeds from issuance of shares	29	**678,923**	—
Proceeds from offering of TDRs	30(a)	**366,595**	—
Dividends paid		**(5,495)**	(23,188)
Net cash flows from financing activities		**2,114,775**	920,897
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,287**	143,239
Cash and cash equivalents at beginning of year		**1,617,911**	1,476,700
Effect of foreign exchange rate changes, net		**102,470**	(2,028)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,734,668**	1,617,911
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**1,522,715**	1,487,951
Non-pledged time deposits with original maturity of less than three months when acquired	23	**156,781**	106,364
Cash and cash equivalents as stated in the statement of financial position		**1,679,496**	1,594,315
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payables	23	**55,172**	23,596
Cash and cash equivalents as stated in the statement of cash flows		**1,734,668**	1,617,911

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Investments in subsidiaries	18	**555,817**	449,283	382,316
Total non-current assets		**555,817**	449,283	382,316
CURRENT ASSETS				
Due from subsidiaries	18	**3,330,103**	2,957,425	3,233,612
Prepayments, deposits and other receivables	22	**356**	208	390
Cash and cash equivalents	23	**436,900**	317,388	315,819
Total current assets		**3,767,359**	3,275,021	3,549,821
CURRENT LIABILITIES				
Interest-bearing bank borrowings	26	**426,250**	581,250	775,000
Other payables and accruals	25	**24,775**	9,998	9,050
Total current liabilities		**451,025**	591,248	784,050
NET CURRENT ASSETS		**3,316,334**	2,683,773	2,765,771
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,872,151**	3,133,056	3,148,087
NON-CURRENT LIABILITIES				
Financial guarantee contracts		**180,160**	106,918	44,515
Total non-current liabilities		**180,160**	106,918	44,515
Net assets		**3,691,991**	3,026,138	3,103,572
EQUITY				
Issued capital	29	**324,639**	231,885	231,885
Reserves	30(b)	**3,334,888**	2,794,253	2,848,499
Proposed final dividends	12	**32,464**	—	23,188
Total equity		**3,691,991**	3,026,138	3,103,572

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products, corn based biochemical products and biological products. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets and certain property, plant and equipment with periodic remeasurement at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$").

During the year, the Group was granted a loan facility of US$55,000,000 (equivalent to approximately HK$426 million) by a bank, among which US$5,000,000 (equivalent to approximately HK$39 million) was repayable within one year and US$50,000,000 (equivalent to approximately HK$387 million) was repayable beyond one year. Pursuant to the loan facility agreement, a termination event would arise if among others, (i) the directors of the Company cease to own beneficially, directly or indirectly, at least 40% of the shares in the Company's issued share capital; and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement. At the end of the reporting period, the Group was unable to comply with the above covenants. Accordingly, the whole balance of the loan amounting to approximately HK$426 million has been classified as a current liability as at 31 December 2010. The directors have been taking action to rectify the non-compliance. On 22 March 2011, the lender had confirmed in writing the relaxation of the breached covenants. The directors considered that the Group's inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

As further explained in note 2.2 below, during the year, the Group adopted HK Interpretation 5, following which the Group's term bank loan was reclassified in total as a current liability. This in turn has impacted on the amount of net current assets presented in the consolidated statement of financial position. Further details about the effect on the financial statements and the Directors' assessment of the impact on the Group's liquidity arising from this change are included in note 2.2 and 36 to the financial statements.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments Included in *Improvements to HKFRSs issued in October 2008*	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendment to HKAS 7 included in *Improvements to HKFRSs 2009* and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **HKFRS 3 (Revised)** *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(a) **HKFRS 3 (Revised)** *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements (continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendment most applicable to the Group is as follows:

HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(c) **HK Interpretation 5:** *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

Prior to the adoption of this interpretation, the Group's term loans were classified in the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified entirely as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include a statement of financial position as at 1 January 2009.

Further details of the Group's term loan are disclosed in note 26 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(c) HK Interpretation 5: *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (continued)*

The above change has had no effect on the consolidated income statement. The effect on the consolidated statements of financial position of the Group and the statement of financial position of the Company at 1 January 2009, 31 December 2009 and 2010 is summarised as follows:

		Group	
	At 31 December 2010	At 31 December 2009	At 1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	**78,500**	93,462	584,531
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	**(78,500)**	(93,462)	(584,531)

		Company	
	At 31 December 2010	At 31 December 2009	At 1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	**–**	–	581,250
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	**–**	–	(581,250)

There was no impact on the net assets of the Group and the Company.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
HKFRS 9	Financial Instruments[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued Improvements to *HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's investments in its jointly controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's investments in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, biological assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly controlled entity;

(c) the party is a member of the key management personnel of the Group;

(d) the party is a close member of the family of any individual referred to in (c); or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of comprehensive income to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2% to 3.4%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of ten years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Biological assets

Biological assets represent breeding cattle and trading cattle which are measured at their fair value on initial recognition and at the end of each reporting period less estimated costs to sell. The fair values of the biological assets are determined based on the most recent market transaction prices. Change in fair value less estimated costs to sell of a biological asset is included in profit or loss for the period in which it arises.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade and bills receivables, prepayments, deposits and other receivables, amounts due from jointly controlled entities and cash and cash equivalents.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, amounts included in other payables and accruals, interest-bearing bank and other borrowings, and amounts due to jointly controlled entities and a director.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories, other than the biological assets which are measured in accordance with the accounting policy for “biological assets” above, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension schemes and other retirement benefits

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and a jointly controlled entity are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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

Judgements *(continued)*

Classification of the Union Company as a third party

One of the major suppliers of the Group is a company beneficially owned by the staff union of the Group's PRC employees (the "Union Company"). The total purchases from the Union Company accounted for approximately 55% of the total corn kernels purchased by the Group for the year. Since none of the directors nor senior management has taken part in the operations of the Union Company, and none of the Company's directors could exercise control over the Union Company, the Union Company is regarded as a third party to the Group.

Recognition of a deferred tax liability for withholding taxes

As at 31 December 2010, the Group has recognised deferred tax liabilities relating to the undistributed profits of the Group's PRC subsidiaries of HK$5,617,000, that would be distributed to the Company or any subsidiary outside Mainland China in the next five years.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was HK$348,428,000 (31 December 2009: HK$348,428,000). More details are given in note 16 to the financial statements.

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

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

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

Estimation uncertainty *(continued)*

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of property, plant and equipment. This requires an estimation of the value in use of property, plant and equipment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 31 December 2010 was HK$9,678,118,000 (31 December 2009: HK$9,110,180,000). Further details are given in note 14 to the financial statements.

Impairment of trade receivables

The policy for provision for impairment loss of the Group is based on the evaluation of collectability, the aged analysis of trade receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The Group reviews an aged analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2010, the carrying amount of inventories was approximately HK$4,185,172,000 after netting off the allowances for inventories of approximately HK$130,063,000.

Estimation of fair value of biological assets

The Group's biological assets are stated at fair value less point-of-sale costs. This requires an independent valuer's assessment of the fair value of the biological assets. Changes in conditions of the biological assets could impact the fair value of the assets. The carrying amount of the Group's biological assets at 31 December 2010 was HK$9,483,000 (2009: HK$9,168,000).

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2010, the best estimate of the carrying amount of capitalised development costs was HK$27,684,000 (2009: Nil).

4. OPERATING SEGMENT INFORMATION

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

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

(b) the corn based biochemical products segment engages in the manufacture and sale of corn based biochemical products, including corn sweeteners, polyol chemicals and amino acids; and

(c) the biological products segment engages in the breeding of cattle and the sale of beef.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, government grants and corporate expenses are excluded from such measurement.

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Business unit information

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business units for the years ended 31 December 2010 and 2009.

Year ended 31 December 2010	**Corn refined products** *HK$'000*	**Corn based biochemical products** *HK$'000*	**Biological products** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	3,069,742	6,079,336	165,820	9,314,898
Intersegment sales	3,032,919	–	–	3,032,919
Other income	50,996	–	–	50,996
	6,153,657	6,079,336	165,820	12,398,813
Reconciliation:				
Elimination of intersegment sales				(3,032,919)
Revenue				9,365,894
Segment results	342,641	511,947	3,308	857,896
Reconciliation:				
Bank interest income				2,442
Unallocated gains				85,547
Corporate and other unallocated expenses				(83,383)
Finance costs				(378,546)
Profit before tax				483,956
Segment assets	5,451,683	12,540,614	131,446	18,123,743
Reconciliation:				
Elimination of intersegment receivables				(474,699)
Goodwill				348,428
Corporate and other unallocated assets				1,837,626
Total assets				19,835,098
Segment liabilities	274,021	1,763,025	142,794	2,179,840
Reconciliation:				
Elimination of intersegment payables				(474,699)
Interest-bearing bank and other borrowings				8,377,538
Unallocated liabilities				79,544
Total liabilities				10,162,223
Other segment information:				
Share of profits of jointly controlled entities	–	1,196	–	1,196
Depreciation	166,657	357,226	326	524,209
Amortisation of land lease payments	8,397	10,714	238	19,349
Reverse of impairment of trade receivables	(8,486)	(7,381)	–	(15,867)
Write-down of inventories to net realisable value	20,868	666	–	21,534
Capital expenditure, including land lease payment	40,979	1,020,656	4,612	1,066,247
Investment in jointly controlled entities	–	97,372	–	97,372

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Business unit information *(continued)*

Year ended 31 December 2009	Corn refined products *HK$'000*	Corn based biochemical products *HK$'000*	Biological products *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	2,276,811	5,424,976	136,514	7,838,301
Intersegment sales	2,635,083	—	—	2,635,083
Other income	44,005	—	—	44,005
	4,955,899	5,424,976	136,514	10,517,389
Reconciliation:				
Elimination of intersegment sales				(2,635,083)
Revenue				7,882,306
Segment results	394,219	897	1,909	397,025
Reconciliation:				
Bank interest income				2,144
Unallocated gains				40,662
Corporate and other unallocated expenses				(67,358)
Finance costs				(307,169)
Profit before tax				65,304
Segment assets	6,034,904	9,776,481	109,323	15,920,708
Reconciliation:				
Elimination of intersegment receivables				(398,285)
Goodwill				348,428
Corporate and other unallocated assets				1,139,246
Total assets				17,010,097
Segment liabilities	507,939	1,757,891	94,602	2,360,432
Reconciliation:				
Elimination of intersegment payables				(398,285)
Interest-bearing bank and other borrowings				6,740,433
Unallocated liabilities				268,854
Total liabilities				8,971,434
Other segment information:				
Share of profits of jointly controlled entities	—	3,132	—	3,132
Depreciation	118,629	361,208	193	480,030
Amortisation of land lease payments	2,964	13,963	—	16,927
Impairment of trade receivables	10,941	30,352	—	41,293
(Write back)/write down of inventories to net realisable value	(3,176)	46,172	—	42,996
Capital expenditure, including land lease payment	24,559	438,750	11,282	474,591
Investments in jointly controlled entities	—	94,465	—	94,465

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

Revenue from external customers

	2010 *HK$'000*	2009 *HK$'000*
Mainland China	**7,207,846**	6,566,406
Regions other than Mainland China	**2,107,052**	1,271,895
	9,314,898	7,838,301

The revenue information above is based on the location of the customers.

Non-current assets

	2010 *HK$'000*	2009 *HK$'000*
Mainland China	**10,764,884**	10,124,543
Regions other than Mainland China	**413,882**	313,450
	11,178,766	10,437,993

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**9,314,898**	7,838,301
Other income		
Bank interest income	**2,442**	2,144
Net profit arising from the sales of packing materials and by-products	**50,996**	44,005
Government grants*	**80,623**	35,805
Others	**4,766**	2,963
	138,827	84,917
Gains		
Exchange differences	**–**	114
Gain on disposal of items of property, plant and equipment	**158**	1,780
	138,985	86,811

* Government grants in 2010 represented the tax refunds awarded to certain subsidiaries located in Mainland China according to the notice of local bureau and the rewards to certain subsidiaries located in Mainland China for environmental protection, technology innovation and improvement and compensation for use of land owned by certain subsidiaries located in Mainland China.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2010 HK$'000	2009 HK$'000
Raw materials and consumables used		**5,411,089**	4,867,577
Depreciation	*14*	**524,209**	480,030
Amortisation of land lease payments	*15*	**19,349**	16,927
Research and development costs		**17,308**	8,553
Auditors' remuneration		**4,280**	4,280
Employee benefit expenses (including directors' remuneration *(note 8)*):			
Wages and salaries		**158,334**	140,469
Pension scheme contributions		**10,673**	32,233
		169,007	172,702
(Reverse of impairment)/impairment of trade receivables	*21*	**(15,867)**	41,293
Write-down of inventories to net realisable value#		**21,534**	42,996

\# Included in "Cost of sales" on the consolidated statement of comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2010 HK$'000	Group 2009 HK$'000
Interest on bank loans wholly repayable within five years	**370,325**	345,759
Interest on bank loans not wholly repayable within five years	**68,830**	—
Finance costs for discounted notes receivable	**13,500**	7,780
	452,655	353,539
Less: Interest capitalised	**(69,511)**	(42,775)
Interest subsidies*	**(4,598)**	(3,595)
	378,546	307,169

* Non-refundable interest subsidies are granted by the local government for a specific construction project carried out by certain subsidiaries of the Company.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

		Group	
	Notes	**2010** **HK$'000**	2009 HK$'000
Fees	*(a)*	**840**	840
Other emoluments:	*(b)*		
Basic salaries, housing benefits, other allowances and benefits in kind		**8,580**	8,160
Performance related bonuses		**15,000**	—
Pension scheme contributions		**24**	24
		23,604	8,184
		24,444	9,024

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, is entitled to performance related bonuses. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to equity holders in respect of that financial year. For the year ended 31 December 2010, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 4.3% of the net profit from ordinary activities attributable to equity holders while for the year ended 31 December 2009, no bonuses were paid to the executive directors.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 **HK$'000**	2009 HK$'000
Mr. Chan Man Hon, Eric	**360**	360
Mr. Lee Yuen Kwong	**360**	360
Mr. Li Defa	**120**	120
	840	840

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2010				
Executive directors:				
Mr. Liu Xiaoming	3,000	5,500	12	8,512
Mr. Xu Zhouwen	3,000	5,500	–	8,500
Ms. Wang Guifeng	450	2,000	–	2,450
Mr. Cheung Chak Fung	360	1,000	3	1,363
Mr. Zhang Fusheng	150	1,000	–	1,150
Mr. Wang Tieguang (resigned on 29 September 2010)	1,620	–	9	1,629
Total	8,580	15,000	24	23,604
2009				
Executive directors:				
Mr. Liu Xiaoming	3,000	–	12	3,012
Mr. Xu Zhouwen	3,000	–	–	3,000
Mr. Wang Tieguang	2,160	–	12	2,172
Total	8,160	–	24	8,184

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**7,988**	7,310
Pension scheme contributions	**24**	24
	8,012	7,334

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

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,500,001 to HK$5,500,000	**—**	—
HK$5,500,001 to HK$6,000,000	**—**	1
HK$6,000,001 to HK$6,500,000	**1**	—
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current — Hong Kong	**4,000**	2,221
Current — Mainland China	**103,112**	60,896
Deferred *(note 28)*	**3,184**	(11,768)
Total tax charge for the year	**110,296**	51,349

10. INCOME TAX EXPENSE *(continued)*

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

Group — 2010	**Hong Kong**		**Mainland China**		**Total**	
	HK$'000	**%**	***HK$'000***	**%**	***HK$'000***	**%**
Profit/(loss) before tax	**(43,118)**		**527,074**		**483,956**	
Tax at the statutory rate	**(7,115)**	**16.5**	**131,769**	**25.0**	**124,654**	**25.7**
Preferential tax rate offered *(note (a))*	**—**	**—**	**(19,745)**	**(3.7)**	**(19,745)**	**(4.1)**
Lower tax rate for tax relief granted *(note (b))*	**—**	**—**	**(25,391)**	**(4.8)**	**(25,391)**	**(5.2)**
Income not subject to tax	**(1,544)**	**3.6**	**(10,195)**	**(1.9)**	**(11,739)**	**(2.4)**
Tax losses not recognised	**4,907**	**(11.4)**	**26,229**	**5.0**	**31,136**	**6.4**
Expenses not deductible for tax	**7,752**	**(18.0)**	**15,926**	**2.9**	**23,678**	**4.9**
Tax losses utilised from previous periods	**—**	**—**	**(2,112)**	**(0.4)**	**(2,112)**	**(0.4)**
Tax credit of corporate income tax for purchase of domestic equipment	**—**	**—**	**(10,185)**	**(1.9)**	**(10,185)**	**(2.1)**
Tax charge at the Group's effective rate	**4,000**	**(9.3)**	**106,296**	**20.2**	**110,296**	**22.8**

Group — 2009	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before tax	(147,964)		213,268		65,304	
Tax at the statutory rate	(24,414)	16.5	53,317	25.0	28,903	44.2
Preferential tax rate offered *(note (a))*	—	—	(6,165)	(2.9)	(6,165)	(9.4)
Lower tax rate for tax relief granted *(note (b))*	—	—	(22,651)	(10.6)	(22,651)	(34.7)
Income not subject to tax	(131)	0.1	(10,442)	(4.9)	(10,573)	(16.2)
Tax losses not recognised	16,396	(11.1)	17,490	8.2	33,886	51.9
Expenses not deductible for tax	10,370	(7.0)	17,579	8.2	27,949	42.8
Tax charge at the Group's effective rate	2,221	(1.5)	49,128	23.0	51,349	78.6

10. INCOME TAX EXPENSE (continued)

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2009: 25%).

Notes:

(a) Five (2009: Nine) subsidiaries were subject to tax concessions in 2010. The total taxable profit of the subsidiaries that are subject to tax concessions amounted to approximately HK$328,333,000 (2009: HK$386,511,000) in aggregate. They were granted tax concessions by the state tax bureau in accordance with the PRC Corporate Income Tax Law (the "CITL") and the corresponding transitional tax concession policy under which these subsidiaries would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

Changchun Dahe Bio Technology Development Co., Ltd. ("Dahe"), was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 4 November 2013. It enjoys a preferential income tax rate of 15% from 1 January 2010 onwards.

(b) The tax rate of five (2009: five) subsidiaries, which were granted the status of Technologically Advanced Enterprise and were entitled to a lower applicable tax rate under Article 75 of the Detailed Rules and Regulation for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, shall be gradually transitioned to the new statutory tax rate within a period of five years. As a result, these subsidiaries enjoyed the corporate income tax rates of 15% in 2007, 18% in 2008, 20% in 2009 and 22% in 2010, and are subject to the corporate income tax rates of 24% in 2011 and 25% in 2012.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$13,070,000 (2009: HK$54,246,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDEND

	2010 ***HK$'000***	2009 *HK$'000*
Proposed final – HK1 cent (2009: Nil) per ordinary share	**32,464**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$331,726,000 (2009: loss of HK$14,978,000), and the weighted average number of ordinary shares of 2,748,313,018 (2009 (restated): 2,546,736,327) in issue during the year, as adjusted to reflect the rights issue during the year.

There were no diluted earnings per share amounts presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2009 and 2010.

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2010	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements, furniture, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost:					
1 January 2010	3,772,780	5,418,800	157,948	2,084,694	11,434,222
Additions	4,262	33,148	18,651	856,030	912,091
Disposals	(271)	(16,468)	(4,930)	(6,769)	(28,438)
Transfers	727,099	576,167	(187)	(1,303,079)	–
Exchange realignment	79,013	124,018	3,344	43,898	250,273
At 31 December 2010	4,582,883	6,135,665	174,826	1,674,774	12,568,148
Accumulated depreciation:					
1 January 2010	382,038	1,815,878	126,126	–	2,324,042
Depreciation provided during the year	110,143	395,992	18,074	–	524,209
Disposals	(15)	(3,472)	(4,655)	–	(8,142)
Exchange realignment	7,858	39,392	2,671	–	49,921
At 31 December 2010	500,024	2,247,790	142,216	–	2,890,030
Net book value:					
At 31 December 2010	4,082,859	3,887,875	32,610	1,674,774	9,678,118
At 31 December 2009	3,390,742	3,602,922	31,822	2,084,694	9,110,180
Analysis of cost or valuation:					
At cost	810,103	6,135,665	174,826	1,674,774	8,795,368
At 31 December 2009 valuation	3,772,780	–	–	–	3,772,780
	4,582,883	6,135,665	174,826	1,674,774	12,568,148

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

Group

31 December 2009	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements, furniture, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost:					
1 January 2009	3,555,490	5,298,579	148,995	1,803,152	10,806,216
Additions	4,643	35,752	10,094	394,804	445,293
Disposals	(339)	(1,926)	(1,141)	–	(3,406)
Transfers	26,867	86,395	–	(113,262)	–
Surplus on revaluation	186,119	–	–	–	186,119
At 31 December 2009	3,772,780	5,418,800	157,948	2,084,694	11,434,222
Accumulated depreciation:					
1 January 2009	287,586	1,455,223	102,872	–	1,845,681
Depreciation provided during the year	94,452	361,270	24,308	–	480,030
Write-back on disposals	–	(615)	(1,054)	–	(1,669)
At 31 December 2009	382,038	1,815,878	126,126	–	2,324,042
Net book value:					
At 31 December 2009	3,390,742	3,602,922	31,822	2,084,694	9,110,180
At 31 December 2008	3,267,904	3,843,356	46,123	1,803,152	8,960,535
Analysis of cost or valuation:					
At cost	–	5,418,800	157,948	2,084,694	7,661,442
At 31 December 2009 valuation	3,772,780	–	–	–	3,772,780
	3,772,780	5,418,800	157,948	2,084,694	11,434,222

The Group's leasehold buildings with the shorter of the lease terms or 50 years were stated at the most recent valuation less accumulated depreciation and impairment.

At 31 December 2009, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately HK$3,772,780,000. A surplus on revaluation of approximately HK$186,119,000 arising from the 2009 valuation has been credited to the asset revaluation reserve during the year ended 31 December 2009. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2010, no revaluation has been performed as at that date.

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

At 31 December 2010, construction in progress and prepaid land lease payments of the Group with a net carrying amount of HK$57,776,000 were pledged to secure banking facilities granted to the Group. As at 31 December 2009, the Group's mortgage loan amounting to HK$3,226,000 was secured by certain leasehold buildings and prepaid land lease payments, which had a carrying amount of approximately HK$20,068,000 (note 26).

At 31 December 2010, the Group has not obtained building certificates for certain leasehold buildings with a total net carrying amount of HK$2,631,754,000 (31 December 2009: HK$1,949,631,000). The directors considered that there were no potential risks given that the Group has obtained all certificates for the underlying land use rights.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 January	**554,483**	550,955
Additions	**125,216**	20,455
Amortised during the year *(note 6)*	**(19,349)**	(16,927)
Disposal	**(1,550)**	—
Exchange realignment	**10,833**	—
Carrying amount at 31 December	**669,633**	554,483
Current portion included in prepayments, deposits and other receivables	**(19,349)**	(16,928)
Non-current portion	**650,284**	537,555

The leasehold land with the shorter of the lease terms or 50 years is situated outside Hong Kong.

At 31 December 2010, the Group has not obtained a land use right certificate for prepaid land lease payments with a total carrying amount of HK$10,158,000 (31 December 2009: HK$33,054,000).

16. GOODWILL

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January:		
Cost	**360,889**	360,889
Accumulated impairment	**(12,461)**	(12,461)
Net carrying amount at 31 December	**348,428**	348,428

The impairment loss of HK$12,461,000 was recognised for the goodwill arising from the acquisition of Changchun Dacheng Special Corn Modified Starch Development Co., Ltd. ("Modified Starch") in the prior year.

Impairment testing of goodwill

Goodwill acquired through business combinations or acquisition of a non-controlling shareholder has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

	Goodwill
	HK$'000
Corn refinery plants	162,640
Lysine plants	25,927
Changchun Dihao Foodstuff Development Co., Ltd.	155,986
Global Polyol Investments Limited	3,875
	348,428

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2009: 12%). No growth has been projected beyond the five-year period.

16. GOODWILL *(continued)*

Key assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant units.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local markets from where the raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

No impairment loss was noted as at 31 December 2010.

17. INTANGIBLE ASSETS

	Group
	Deferred development costs *HK$'000*
31 December 2010	
Cost at 1 January 2010	—
Additions — internal development	27,684
Amortisation provided during the year	—
As at 31 December 2010	27,684
At 31 December 2010:	
Cost	27,684
Accumulated amortisation	—
Net carrying amount	27,684

18. INVESTMENTS IN SUBSIDIARIES

	Company 2010 HK$'000	Company 2009 HK$'000
Unlisted shares	**555,817**	449,283

The amounts due from subsidiaries included in the Company's current assets of HK$3,330,103,000 (31 December 2009: HK$2,957,425,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Global Sweeteners Holdings Limited ("GSH ")	Cayman Islands	Ordinary HK$114,947,800	52	Investment holding
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	PRC/ Mainland China	RMB193,000,000	100	Investment holding
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100	Trading of corn refined products and corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.#	PRC/ Mainland China	RMB153,940,000	100	Manufacture and sale of corn refined products
Changchun Jincheng Corn Development Co., Ltd.#	PRC/ Mainland China	RMB98,700,000	100	Manufacture and sale of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.*	PRC/ Mainland China	US$40,000,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/ Mainland China	US$44,034,000	52	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC/ Mainland China	US$2,668,000	52	Manufacture and sale of corn based sweeteners

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(continued)*				
Changchun Dihao Foodstuff Development Co., Ltd.*	PRC/ Mainland China	RMB81,000,000	52	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC/ Mainland China	US$22,200,000	52	Manufacture and sale of crystallised sugar
Changchun Baocheng Bio-chem Development Co., Ltd.#	PRC/ Mainland China	US$12,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.#	PRC/ Mainland China	RMB154,645,600	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Fermentation Technology Development Co., Ltd.*	PRC/ Mainland China	US$43,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.*	PRC/ Mainland China	US$40,000,000	100	Manufacture and sale of corn based biochemical products
Modified Starch#	PRC/ Mainland China	RMB99,250,000	100	Manufacture and sale of corn based biochemical products
Changchun GBT Bio-Chemical Co., Ltd.*	PRC/ Mainland China	US$64,000,000	100	Manufacture and sale of corn based biochemical products
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.*	PRC/ Mainland China	HK$18,000,000	100	Manufacture and sale of corn based biochemical products

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Changchun Dacheng Bio-tech Development Co., Ltd.*	PRC/ Mainland China	RMB795,766,650/ RMB1,466,150,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/ Mainland China	US$7,770,000	52	Manufacture and sale of corn based sweetener products
Changchun Dacheng Industrial Group International Trade Co ., Ltd.*	PRC/ Mainland China	RMB5,000,000	100	Trading of corn based biochemical products
Global Bio-chem Technology Americas Inc.@	USA	USD500,000	100	Trading of corn based biochemical products
Dalian Angus Beef Co., Ltd.#	PRC/ Mainland China	RMB12,000,000	31**	Breeding of cattle and sale of beef
Global Sweeteners Trade Development (Dalian) Co. Ltd.@*	PRC/ Mainland China	USD2,000,000	52	International trading, exhibition and consultation
Harbin Dacheng Bio Technology Co., Ltd.#	PRC/ Mainland China	RMB81,907,000	40^	Manufacture and sale of corn based sweetener products

* Registered as wholly-owned foreign enterprises under the PRC laws

** Dalian Angus Beef Co., Ltd. is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

^ Harbin Dacheng Bio Technology Co., Ltd. is accounted for as a subsidiary by virtue of the Company's control over it.

@ Acquired/established during the year

Registered as Sino-foreign enterprises under the PRC laws

The above subsidiaries are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**57,372**	54,465
Loan to a jointly controlled entity	**40,000**	40,000
	97,372	94,465

The long term loan of HK$40 million to a jointly controlled entity represents a quasi-equity loan which is stated at cost less impairment. The long term loan of HK$40 million is unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly controlled entity, whenever is earlier.

Particulars of the jointly controlled entities are as follows:

Name	Nominal value of paid-up share/ registered capital	Place of incorporation/ establishment and operations	Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited	HK$1,000	Hong Kong	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd.* ("Cargill Shanghai")	US$3,000,000	PRC/Mainland China	50	50	Manufacture and sale of high fructose corn syrup

* Wholly-foreign-owned enterprise

All of the above investments in jointly controlled entities are indirectly held by the Company.

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The following table illustrates the summarised financial information of the Group's jointly controlled entities:

	2010 **HK$'000**	2009 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**68,962**	60,860
Non-current assets	**17,430**	18,254
Current liabilities	**(28,205)**	(3,859)
Non-current liabilities	**(815)**	(20,790)
Net assets	**57,372**	54,465

	2010 **HK$'000**	2009 HK$'000
Share of the jointly controlled entities' results:		
Revenue	**73,818**	56,070
Other income	**1,101**	1,152
	74,919	57,222
Total expenses	**(73,405)**	(52,982)
Tax	**(149)**	(530)
Profit after tax	**1,365**	3,710
Statutory reserve	**(169)**	(398)
Share of profits of jointly controlled entities	**1,196**	3,312

20. INVENTORIES

	Group	
	2010 **HK$'000**	2009 HK$'000
Raw materials	**2,960,719**	1,991,221
Finished goods	**1,224,453**	608,121
	4,185,172	2,599,342

As at 31 December 2010, certain inventories were written down to net realisable value which amounted to approximately HK$510,771,000 (2009: HK$146,135,000).

21. TRADE AND BILLS RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	**1,772,939**	1,404,909
Bills receivable	**181,860**	234,033
Impairment	**(33,811)**	(56,835)
	1,920,988	1,582,107

The Group normally allows credit terms of 90 days to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group 2010 HK$'000	2009 HK$'000
Within 1 month	**658,315**	588,566
1 to 2 months	**453,973**	413,625
2 to 3 months	**200,466**	253,646
Over 3 months	**608,234**	326,270
	1,920,988	1,582,107

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

	Group 2010 HK$'000	2009 HK$'000
At 1 January	**56,835**	15,542
Impairment losses recognised *(note 6)*	**17,093**	41,293
Impairment losses reversed *(note 6)*	**(32,960)**	—
Amount written off as uncollectible	**(7,901)**	—
Exchange realignment	**744**	—
	33,811	56,835

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$33,811,000 (31 December 2009: HK$56,835,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,312,985**	1,255,837
Less than 1 month past due	**211,458**	95,019
1 to 3 months past due	**273,996**	69,927
Over 3 months past due	**122,549**	161,324
	1,920,988	1,582,107

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**448,952**	494,510	**356**	208
Deposits and other receivables	**341,288**	251,366	**—**	—
	790,240	745,876	**356**	208

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**1,522,715**	1,487,951	**330,524**	211,023
Time deposits	**211,953**	129,960	**106,376**	106,365
	1,734,668	1,617,911	**436,900**	317,388
Less: Pledged for issuance of bills payables	**(55,172)**	(23,596)	**—**	—
Cash and cash equivalents	**1,679,496**	1,594,315	**436,900**	317,388

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$637,866,000 (31 December 2009: HK$880,402,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE AND BILLS PAYABLES

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

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 1 month	**484,816**	317,550
1 to 2 months	**94,183**	166,860
2 to 3 months	**23,468**	88,429
Over 3 months	**155,853**	244,600
	758,320	817,439

25. OTHER PAYABLES AND ACCRUALS

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Payables for purchases of machinery	**165,641**	135,121	**–**	–
Customer deposits/receipts in advance	**324,765**	517,604	**–**	–
Consideration payable for acquisition of Dacheng Industrial*	**–**	202,988	**–**	–
Accruals	**88,761**	73,268	**19,595**	4,280
Others	**181,744**	184,593	**5,180**	5,718
	760,911	1,113,574	**24,775**	9,998

* It represented the unpaid consideration for the acquisition of Dacheng Industrial in 2005. The amount was unsecured and interest-free.

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	31 December 2010 Effective Interest rate %	31 December 2010 Maturity	31 December 2010 HK$'000	31 December 2009 Effective Interest rate %	31 December 2009 Maturity	31 December 2009 HK$'000 (Restated)	1 January 2009 Effective interest rate %	1 January 2009 Maturity	1 January 2009 HK$'000 (Restated)
Current									
Bank loans – unsecured	**2.00-6.30**	**On demand/ 2011**	**4,074,613**	5.31-7.56	On demand/ 2010	4,474,005	5.31-7.56	On demand/ 2009	3,416,562
Long term bank loans repayable on demand – secured *(Note)*	**HIBOR+2/ HIBOR+3/ LIBOR+4.5/ 5.38/HIBOR**	**On demand**	**78,500**	HIBOR+2/ HIBOR+3/ LIBOR+4.5/ 5.38/HIBOR	On demand	93,462	LIBOR+5.1/5.38	On demand	584,531
			4,153,113			4,567,467			4,001,093
Non-current									
Bank loans – secured	**5.96**	**2012**	**66,667**	–	–	–	–	–	–
Bank loans – unsecured	**5.31-6.57**	**2012-2020**	**4,145,402**	4.86-6.57	2011-2014	2,159,550	4.86-6.57	2010	1,524,157
Other loans – unsecured	**–**	**2018-2019**	**12,356**	–	2018-2019	13,416	–	2018-2019	14,753
			4,224,425			2,172,966			1,538,910
			8,377,538			6,740,433			5,540,003

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Company	31 December 2010 Effective interest rate %	Maturity	HK$'000	31 December 2009 Effective interest rate %	Maturity	HK$'000	1 January 2009 Effective interest rate %	Maturity	HK$'000 (Restated)
Current									
Bank loans – unsecured	**LIBOR+4.5**	**On demand**	**426,250**	LIBOR+4.5	On demand	581,250	LIBOR+5.1	On demand	193,750
Long term bank loans repayable on demand – secured *(Note)*	**–**	**–**	**–**	–	–	–	LIBOR+5.1	On demand	581,250
			426,250			581,250			775,000

	Group 2010 HK$'000	Group 2009 (Restated) HK$'000	Group 1 January 2009 (Restated) HK$'000	Company 2010 HK$'000	Company 2009 HK$'000	Company 1 January 2009 (Restated) HK$'000
Analysed into:						
Bank loans repayable:						
Within one year or on demand *(Note)*	**4,153,113**	4,567,467	4,001,093	**426,250**	581,250	775,000
In the second year	**2,832,759**	1,822,472	1,524,157	**–**	–	–
In the third to fifth years, inclusive	**–**	337,078	–	**–**	–	–
Beyond five years	**1,379,310**	–	–	**–**	–	–
	8,365,182	6,727,017	5,525,250	**426,250**	581,250	775,000
Other borrowings repayable:						
Beyond five years	**12,356**	13,416	14,753	**–**	–	–
	12,356	13,416	14,753	**–**	–	–
	8,377,538	6,740,433	5,540,003	**426,250**	581,250	775,000

Note: As further explained in notes 2.2 and 36 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan in the amount of HK$78,500,000 (2009: HK$93,462,000; 1 January 2009: HK$584,531,000) and the Company's term loan in the amount of HK$581,250,000 as at 1 January 2009, which contain on-demand repayment clauses, have been reclassified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Note: (continued)

Based on the maturity terms of the loan of the Group, the amounts repayable in respect of the loan are as follows:

	Group			Company		
	2010	2009 (Restated)	1 January 2009 (Restated)	**2010**	2009	1 January 2009 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Analysed into:						
Bank loans repayable:						
Within one year or on demand	**–**	–	–	**–**	–	–
In the second year	**67,250**	70,962	584,531	**–**	–	581,250
In the third to fifth years, inclusive	**11,250**	22,500	–	**–**	–	–
	78,500	93,462	584,531	**–**	–	581,250

At 31 December 2010, the Group's bank loans amounting to HK$66,667,000 were secured by certain construction in progress and prepaid land lease payments, which had a carrying value of HK$57,776,000. As at 31 December 2009, the Group's mortgage loan amounting to HK$3,226,000 was secured by certain leasehold buildings and prepaid land lease payments with a carrying amount of approximately HK$20,068,000.

At 31 December 2010, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with amounts of approximately HK$6,441,230,000 (31 December 2009: 4,213,520,000) and approximately HK$971,264,000 (31 December 2009: HK$926,966,000), respectively.

Included above was a long term loan of US$55 million (equivalent to approximately HK$426 million) borrowed from a bank in Hong Kong which required the Group to fulfil certain financial covenants. As detailed in note 2.1 to the financial statements, at the end of the reporting period, the Group was unable to comply with one of the financial covenants and accordingly the whole amount was classified as a bank loan repayable within one year or on demand under current liabilities.

27. DEFERRED INCOME

The table below presents the movements of deferred income:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**34,188**	27,620
Addition	**5,423**	8,589
Amortised during the year	**(3,393)**	(2,021)
Exchange realignment	**325**	—
At 31 December	**36,543**	34,188

The balance represented the receipt of government grants for the construction of certain of the Group's production plants, which have been credited as a non-current liability in the consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to the consolidated statement of comprehensive income over the expected useful lives of the relevant assets acquired.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets of the Group during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of properties *HK$'000*	Withholding tax on distributable profits of the Group's PRC subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2009	23,612	43,827	5,617	73,056
Deferred tax charged to profit or loss during the year *(note 10)*	2,556	—	—	2,556
Deferred tax charged to other comprehensive income during the year	—	46,500	—	46,500
At 31 December 2009 and 1 January 2010	26,168	90,327	5,617	122,112
Deferred tax charged to profit or loss during the year *(note 10)*	4,181	—	—	4,181
Exchange realignment	1,023	—	—	1,023
At 31 December 2010	31,372	90,327	5,617	127,316

Deferred tax assets

	Inventories provision *HK$'000*
At 1 January 2009	2,192
Deferred tax credited to profit or loss during the year *(note 10)*	14,324
At 31 December 2009 and 1 January 2010	16,516
Deferred tax credited to profit or loss during the year *(note 10)*	997
At 31 December 2010	17,513

28. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of approximately HK$77,123,000 (2009: HK$94,318,000) that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$242,568,000 (2009: HK$176,376,000) which are available for offsetting against future taxable profits in one to five years. In the opinion of the directors, deferred tax assets have not been recognised as it is uncertain whether future taxable profits would arise to offset against these losses.

Pursuant to the CITL, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,794,005,000 at 31 December 2010 (2009: HK$1,248,713,000).

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

29. SHARE CAPITAL

Shares

	2010 ***HK$'000***	2009 *HK$'000*
Authorised:		
10,000,000,000 (2009: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,246,389,164 (2009: 2,318,849,403) ordinary shares of HK$0.10 each	**324,639**	231,885

During the year, the movement in share capital was generated from a rights issue of two rights share for every five existing shares held by members on the register of members on 24 June 2010, at an issue price of HK$0.75 per rights share, resulting in the issue of 927,539,761 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$695,654,821.

29. SHARE CAPITAL *(continued)*

A summary of the transactions during the year with reference to the above movement in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 31 December 2009 and 1 January 2010	2,318,849,403	231,885	2,107,940	2,339,825
Issue of shares	927,539,761	92,754	602,901	695,655
	3,246,389,164	324,639	2,710,841	3,035,480
Share issue expenses	–	–	(16,732)	(16,732)
At 31 December 2010	3,246,389,164	324,639	2,694,109	3,018,748

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of the Company's shares on the Main Board of the Stock Exchange in prior years, and the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the capitalisation issue in prior years; and (iii) the premium arising from the placing and subscriptions of new ordinary shares in the prior and current years.

Certain subsidiaries, which are established in the PRC as wholly-owned foreign investment enterprises, are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserve reach 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

30. RESERVES *(continued)*

(a) Group *(continued)*

On 12 March 2010, Global Sweeteners Holdings Limited ("GSH"), a subsidiary of the Group whose shares are listed on the Stock Exchange, offered 100 million units of Taiwan Depository Receipts ("TDRs") for subscription by the public in Taiwan, representing 100 million new shares of GSH and 100 million of GSH's shares disposed of by the Group. Each TDR represents two ordinary shares of GSH. On 18 March 2010, GSH entered into the underwriting agreement with the underwriters agreeing at the offer price of NT$15.50 (equivalent to approximately HK$3.79) per TDR. On 25 March 2010, the TDRs of GSH were listed on the Taiwan Stock Exchange Corporation. The Group raised proceeds of approximately HK$366,595,000 after deduction of related expenses from the TDRs offering. The Company's indirect interest in GSH was reduced from 66.76% to 52.24%. This change in the Company's ownership interest in GSH did not result in a loss of control and was accounted for as an equity transaction.

(b) Company

	Notes	**Share premium account** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2009		2,107,940	740,559	2,848,499
Loss for the year	*11*	—	(54,246)	(54,246)
At 31 December 2009		2,107,940	686,313	2,794,253
At 31 December 2009 and at 1 January 2010		2,107,940	686,313	2,794,253
Loss for the year	*11*	—	(13,070)	(13,070)
Other comprehensive income		—	—	9,541
Rights issue	*29*	586,169	—	586,169
Proposed final 2010 dividend	*12*	—	(32,464)	(32,464)
At 31 December 2010		2,694,109	640,779	3,334,888

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

31. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

At 31 December 2010, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$6,441,230,460 (2009: HK$4,213,520,000).

32. COMMITMENTS

At 31 December 2010, the Group had capital commitments as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**563,820**	279,052
Plant and machinery	**597,262**	412,076
Capital contributions	**811,530**	741,237
	1,972,612	1,432,365

The Company did not have any significant commitments as at 31 December 2010.

33. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Utility costs charged to jointly controlled entities	*(a)*	**9,714**	10,476
Sale of corn starch to a jointly controlled entity	*(b)*	**28,408**	16,405

Notes:

(a) The utility costs were charged to Cargill Shanghai, a jointly controlled entity of the Group, based on the actual costs incurred.

(b) The transactions with Cargill Shanghai, a jointly controlled entity in which the Group effectively holds a 50% equity interest, were made at prices mutually agreed between the parties.

33. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Balances with related parties

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

	2010	2009
	HK$'000	*HK$'000*
Due from jointly controlled entities	**3,335**	704
Due to jointly controlled entities	**(17,299)**	(101)
Due to a director	**—**	(89,368)
Total	**(13,964)**	(88,765)

The short term balances with jointly controlled entities and a director are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair values.

(iii) Compensation of key management personnel of the Group

	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**24,420**	9,000
Post-employment benefits	**24**	24
Total compensation paid to key management personnel	**24,444**	9,024

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets	Group 2010 Loans and receivables HK$'000	Group 2009 Loans and receivables HK$'000
Trade and bills receivables	**1,920,988**	1,582,107
Financial assets included in prepayments, deposits and other receivables	**341,288**	251,366
Due from jointly controlled entities	**3,335**	704
Pledged deposits	**55,172**	23,596
Cash and cash equivalents	**1,679,496**	1,594,315
Total	**4,000,279**	3,452,088

Financial liabilities	Group 2010 Financial liabilities at amortised cost HK$'000	Group 2009 Financial liabilities at amortised cost HK$'000
Trade and bills payables	**758,320**	817,439
Financial liabilities included in other payables and accruals	**436,146**	595,970
Interest-bearing bank and other borrowings	**8,377,538**	6,740,433
Amounts due to jointly controlled entities	**17,299**	101
Amount due to a director	**—**	89,368
Total	**9,589,303**	8,243,311

34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Company	
Financial assets	**2010 Loans and receivables** ***HK$'000***	2009 Loans and receivables *HK$'000*
Due from subsidiaries	**3,330,103**	2,957,425
Cash and cash equivalents	**436,900**	317,388
Total	**3,767,003**	3,274,813

	Company	
Financial liabilities	**2010 Financial liabilities at amortised cost** ***HK$'000***	2009 Financial liabilities at amortised cost *HK$'000*
Financial liabilities included in other payables and accruals	**24,775**	9,998
Financial guarantee contracts	**180,160**	106,918
Interest-bearing bank borrowings	**426,250**	581,250
Total	**631,185**	698,166

35. FAIR VALUE

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Trade and bills receivables	**1,920,988**	1,582,107	**1,920,988**	1,582,107
Financial assets included in prepayments, deposits and other receivables	**341,288**	251,366	**341,288**	251,366
Due from jointly controlled entities	**3,335**	704	**3,335**	704
Pledged deposits	**55,172**	23,596	**55,172**	23,596
Cash and cash equivalents	**1,679,496**	1,594,315	**1,679,496**	1,594,315
	4,000,279	3,452,088	**4,000,279**	3,452,088

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Trade and bills payables	**758,320**	817,439	**758,320**	817,439
Financial liabilities included in other payables and accruals	**436,146**	595,970	**436,146**	595,970
Interest-bearing bank and other borrowings	**8,377,538**	6,740,433	**8,377,538**	6,740,433
Amounts due to jointly controlled entities	**17,299**	101	**17,299**	101
Amount due to a director	**—**	89,368	**—**	89,368
	9,589,303	8,243,311	**9,589,303**	8,243,311

35. FAIR VALUE (continued)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Due from subsidiaries	**3,330,103**	2,957,425	**3,330,103**	2,957,425
Cash and cash equivalents	**436,900**	317,388	**436,900**	317,388
	3,767,003	3,274,813	**3,767,003**	3,274,813

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Financial liabilities included in other payables and accruals	**24,775**	9,998	**24,775**	9,998
Financial guarantee contracts	**180,160**	106,918	**180,160**	106,918
Interest-bearing bank borrowings	**426,250**	581,250	**426,250**	581,250
	631,185	698,166	**631,185**	698,166

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to jointly controlled entities, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of financial guarantee contracts have been calculated based on quoted market prices.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include trade and bills receivables, prepayments, deposits and other receivables, amounts due from jointly controlled entities and cash and cash equivalents. Financial liabilities of the Group include trade and bills payables, other payables, interest-bearing bank and other borrowings and the amounts due to jointly controlled entities.

Financial assets of the Company include prepayments, deposits and other receivables, and amounts due from subsidiaries and cash and cash equivalents. Financial liabilities of the Company include other payables and financial guarantee contracts and interest-bearing bank borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and supply risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt, when considered appropriate.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in interest rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in interest rate**	**Increase/ (decrease) in equity**
	%	*HK$'000*	*HK$'000*	*%*	*HK$'000*
2010					
Hong Kong dollar	1	(51,606)	(44,679)	1	(1,506)
Hong Kong dollar	(1)	51,606	44,679	(1)	1,506
2009					
Hong Kong dollar	1	(38,733)	(34,319)	1	(5,813)
Hong Kong dollar	(1)	38,733	34,319	(1)	5,813

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise, trade and bills receivables, financial assets included in prepayments and deposits and other receivables, amounts due from jointly controlled entities and, cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 31 to the financial statements.

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

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

Liquidity risk

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

Group

	2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	**758,320**	**–**	**–**	**–**	**–**	**758,320**
Interest-bearing bank and other borrowings *(Note)*	**568,400**	**742,253**	**3,192,947**	**3,251,403**	**1,725,227**	**9,480,230**
Other payables and accruals	**347,385**	**88,761**	**–**	**–**	**–**	**436,146**
Amounts due to jointly controlled entities	**17,299**	**–**	**–**	**–**	**–**	**17,299**
	1,691,404	**831,014**	**3,192,947**	**3,251,403**	**1,725,227**	**10,691,995**

Group

	2009 (Restated)					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	817,439	–	–	–	–	817,439
Interest-bearing bank and other borrowings *(Note)*	740,277	459,956	3,622,581	2,275,905	13,416	7,112,135
Other payables and accruals	522,702	73,268	–	–	–	595,970
Amounts due to jointly controlled entities	101	–	–	–	–	101
Amount due to a director	89,368	–	–	–	–	89,368
	2,169,887	533,224	3,622,581	2,275,905	13,416	8,615,013

Group

	1 January 2009 (Restated)					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	1,111,732	–	–	–	–	1,111,732
Interest-bearing bank and other borrowings *(Note)*	842,115	312,360	3,000,087	1,598,808	20,204	5,773,574
Other payables and accruals	430,607	58,663	–	–	–	489,270
	2,384,454	371,023	3,000,087	1,598,808	20,204	7,374,576

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

Company

	2010					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 Months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings *(Note)*	426,250	–	–	–	–	426,250
Financial guarantee contracts	42,150	126,437	2,391,609	2,501,724	1,379,310	6,441,230
Other payables and accruals	5,180	19,595	–	–	–	24,775
	473,580	146,032	2,391,609	2,501,724	1,379,310	6,892,255

Company

	2009					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	581,250	–	–	–	–	581,250
Financial guarantee contracts	55,800	355,056	1,764,462	2,038,202	–	4,213,520
Other payables and accruals	5,718	4,280	–	–	–	9,998
	642,768	359,336	1,764,462	2,038,202	–	4,804,768

Company

	1 January 2009 (Restated)					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings *(Note)*	775,000	–	–	–	–	775,000
Financial guarantee contracts	–	280,899	2,570,506	1,257,775	–	4,109,180
Other payables and accruals	5,180	3,870	–	–	–	9,050
	780,180	284,769	2,570,506	1,257,775	–	4,893,230

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Note:

Included in interest-bearing bank and other borrowings of the Group are term loans in the amount of HK$78,500,000 (31 December 2009: HK$93,462,000; 1 January 2009: HK$584,531,000). Included in interest-bearing bank borrowings of the Company are term loans in the amount of HK$581,250,000 as at 1 January 2009. Each of the loan agreements contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirety or in part, within 12 months and they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement. This evaluation was made considering, the financial position of the Group at the date of approval of these financial statements, the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the contractual undiscounted payments at 31 December 2010 will be HK$68,634,000 in 2011 and HK$11,666,000 in 2012.

Supply risk

For each financial year, the Group would enter into purchase agreements with a company established in the PRC which is beneficially owned by the staff union of the Group's Mainland China employees (the "Union Company") for the purchases of corn kernels, the principal raw materials for the production of certain of the Group's products. Pursuant to the existing purchase agreements, the Group agreed to purchase from the Union Company a total of 2,400,000 tons of corn kernels during the contract period (one year) and bear certain warehouse administration expenses. The total corn kernels purchased from the Union Company was 2,400,000 tons amounting to approximately HK$4,610 million since the effective date of the existing purchase agreements. At the end of the reporting period, the purchase commitment pursuant to the above agreements was approximately 1,953,000 tons, and the directors have estimated the amount to be approximately HK$3,752 million (2009: HK$2,908 million).

If the supplier is unable to obtain corn kernels for sales to the Group, and the Group is unable to obtain supplies from other sources, the Group's operations and performance may be adversely affected.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the capital. The Group's policy is to maintain the gearing ratio around 50%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2010 ***HK$'000***	2009 *HK$'000*
Interest-bearing bank and other borrowings	**8,377,538**	6,740,433
Less: Cash and cash equivalents	**(1,679,496)**	(1,594,315)
Net debt	**6,698,042**	5,146,118
Capital	**8,698,124**	7,481,878
Gearing ratio	**77%**	69%

37. EVENT AFTER THE REPORTING PERIOD

On 21 January 2011, the Company granted 24,400,000 share options to certain employees of the Group to subscribe for the Company's ordinary shares with a nominal value of HK$0.10 each under the share option scheme. The exercise price was HK$1.24 per share and the exercise period ranges from 21 January 2011 to 21 January 2016 (both dates inclusive).

38. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of HK Interpretation 5 during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2009 has been presented.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. Upon the adoption of HK Interpretation 5, the Group have been retrospectively restated comparative amounts, as detailed in note 2.2 to the financial statements.

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**9,314,898**	7,838,301	8,687,939	6,672,940	4,704,007
Cost of sales	**(7,747,539)**	(6,781,781)	(6,954,397)	(5,096,401)	(3,528,922)
Gross profit	**1,567,359**	1,056,520	1,733,542	1,576,539	1,175,085
Other income and gains	**138,985**	86,811	197,620	119,458	46,934
Gain on spin-off of a subsidiary group	**—**	—	—	270,913	—
Excess over the cost of a business combination	**—**	—	23,703	—	—
Selling and distribution costs	**(550,733)**	(434,978)	(532,950)	(362,945)	(282,279)
Administrative expenses	**(269,927)**	(264,951)	(284,974)	(219,619)	(148,445)
Other expenses	**(24,378)**	(74,241)	(80,275)	(32,575)	(45,451)
Finance costs	**(378,546)**	(307,169)	(359,438)	(265,681)	(206,285)
Share of profits of jointly controlled entities	**1,196**	3,312	5,677	8,758	17,399
PROFIT BEFORE TAX	**483,956**	65,304	702,905	1,094,848	556,958
Income tax expense	**(110,296)**	(51,349)	(30,090)	(114,994)	(55,730)
PROFIT FOR THE YEAR	**373,660**	13,955	672,815	979,854	501,228
Profit/(loss) attributable to:					
Owners of the Company	**331,726**	(14,978)	621,777	943,486	501,228
Non-controlling interests	**41,934**	28,933	51,038	36,368	—
	373,660	13,955	672,815	979,854	501,228
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS	As at 31 December				
TOTAL ASSETS	**19,835,098**	17,010,097	15,415,340	13,371,968	10,529,817
TOTAL LIABILITIES	**(10,162,223)**	(8,971,434)	(7,514,865)	(6,485,949)	(5,250,434)
NON-CONTROLLING INTERESTS	**(974,751)**	(556,785)	(512,754)	(422,554)	—
	8,698,124	7,481,878	7,387,721	6,463,465	5,279,383

Corporate Information

BOARD OF DIRECTORS

Liu Xiaoming, *Co-Chairman*
Xu Zhouwen, *Co-Chairman*
Wang Guifeng, *Executive Director*
Zhang Fusheng, *Executive Director*
Cheung Chak Fung, *Executive Director*
Lee Yuen Kwong*,
Independent Non-Executive Director
Chan Man Hon, Eric*,
Independent Non-Executive Director
Li Defa*,
Independent Non-Executive Director

* Audit Committee Members

COMPANY SECRETARY

Cheung Kin Po, CPA Australia, HKICPA

REGISTERED OFFICE

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Cayman Islands

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AUDITORS

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Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISERS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

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

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

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

China Construction Bank
No. 810 Xian Road
Changchun
Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
PO Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
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www.globalbiochem.com

STOCK CODE

00809

KEY DATES

Closure of register of members:
13 May 2011 to 16 May 2011
(both days inclusive)
Annual general meeting:
16 May 2011