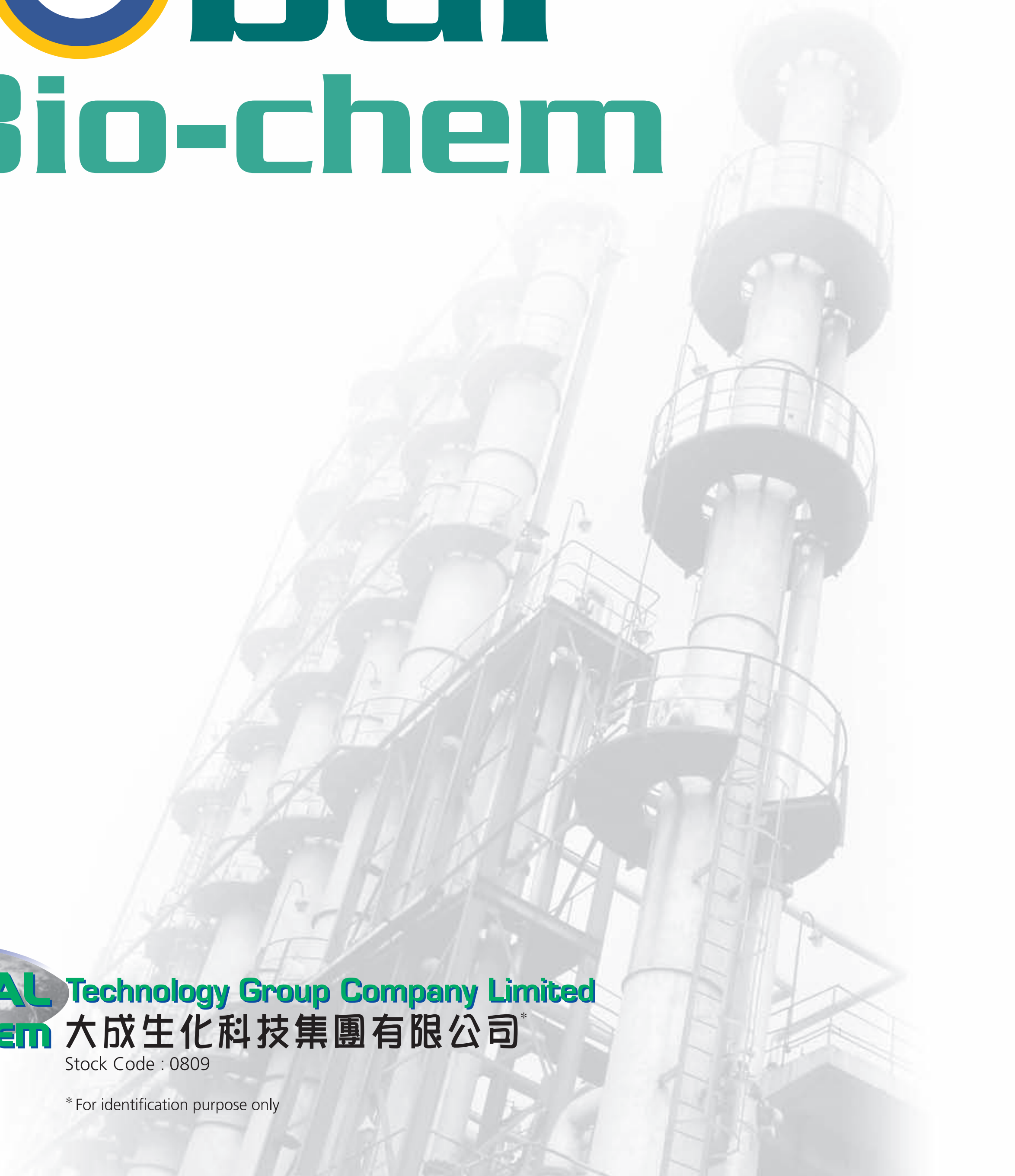
Interim Report 2007

Global Bio-chem



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

Stock Code : 0809

* For identification purpose only

CHANGCHUN & DEHUI

Capacity:

• Amino Acids	- Lysine 140,000 mtpa
	- Protein Lysine 220,000 mtpa
	- Glutamic Acid 100,000 mtpa
	- Threonine 10,000 mtpa
• Corn Sweeteners	- Glucose & Maltose 1,060,000 mtpa
	- Sorbitol 60,000 mtpa
	- Crystallised Glucose 200,000 mtpa
• Modified Starch	- 80,000 mtpa
• Chemicals	- Polyol 210,000 mtpa
• Corn Refinery	- 1.8 million mtpa

Site Area: Over 2.3 million m^2

Location: Situated within Golden Corn Belt

JINZHOU

Capacity:

• Corn Refinery	- 600,000 mtpa

Site Area: Approximately 370,000 m^2

Location: Situated within Golden Corn Belt and at transportation hub

SHANGHAI

Capacity:

• Corn Sweeteners	- Glucose & Maltose 80,000 mtpa
	- HFCS 100,000 mtpa

Site Area: Approximately 30,000 m^2

Location: Situated in close proximity to food & beverage manufacturer

Hong Kong

Headquarters

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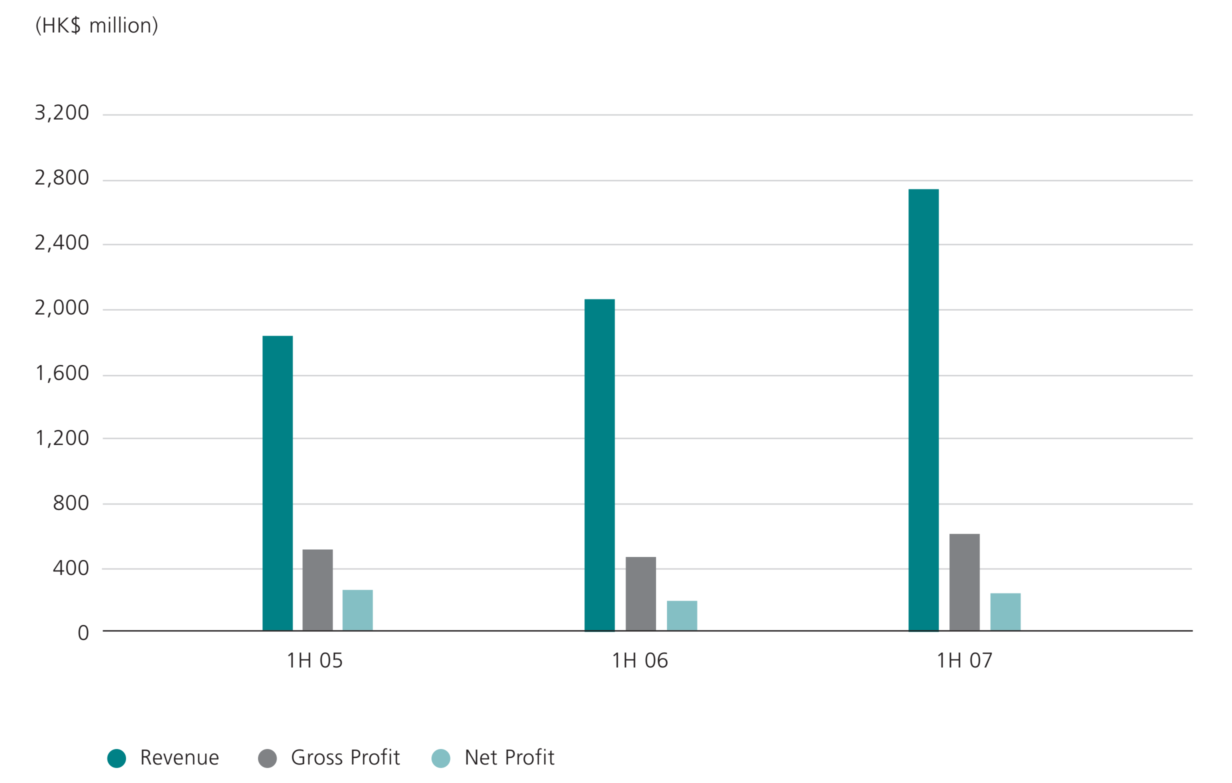
Key Items of Performance



(HK$ million)	Unaudited six months ended 30 June 2007	2006	Change
Operating results			
Revenue	**2,734**	2,065	+32%
Gross profit	**601**	463	+30%
Profit before tax	**269**	210	+28%
Net Profit from ordinary activities attributable to shareholders	**230**	189	+21%
Basic earnings per share (HK cents)	**9.9**	8.2	+21%
Interim dividend per share (HK cents)	**1.0**	1.0	—%

BOARD OF DIRECTORS
Liu Xiaoming, *Co-Chairman*
Xu Zhouwen, *Co-Chairman*
Kong Zhanpeng, *Executive Director*
(resigned on 20 September 2007)
Wang Tieguang, *Executive Director*
Patrick E Bowe, *Non-Executive Director*
Steven C Wellington,
Alternate Director to Patrick E Bowe
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 Chak Fung, *ACCA*

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS
Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

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

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

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

The Agriculture Bank of China
1455 Xian Road
Changchun, Jilin Province
The People's Republic of China

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE
www.globalbiochem.com

STOCK CODE
0809

Dear shareholders,

For the six months ended 30 June 2007, the Group's consolidated revenue and gross profit were HK$2.7 billion and HK$0.6 billion respectively, representing an increase of 32% and 30% respectively as compared to the same period last year. The increasing production volume of other high-value-added downstream products and the rebound of lysine prices generated substantial growth in the overall sales revenue of the Group during the period under review.

Sales performance of our products was satisfactory during the period, with gross profit rising by up to 30%. Notwithstanding the pressure on our net profit growth exerted by the increased finance costs due to an increase in interest rate and borrowing amount as well as the expiry of tax benefits enjoyed by some subsidiaries, net profit increased by approximately 21% as compared to the same period last year, amounting to approximately HK$230 million.

For the period under review, the prices of lysine, which accounted for 47% of the total sales of the Group, returned to a more stable level after two years of gradual elimination of inefficient and excessive capacity when the lysine market saw a large drop in prices. Lysine prices recorded a substantial rebound at the turn of the year, averaging RMB10,000 per tonne and representing an increase of 9% as compared to the same period last year. The selling price of protein lysine rose by 36%, averaging RMB5,800 per tonne.

Given the rise in prices and the strong demand for meat products, the sales of lysine, used primarily as animal feed, had substantial growth. The Group sustained its 70% share of the domestic market of lysine and protein lysine and increased the volume of export sales to 64,000 tonnes.

The segment of sweeteners recorded satisfactory performance. Total sales of sweetener products grew by 85% as compared to the same period last year. The increased production volume of our high-margin crystallised glucose and the general increase in the sales volume of our sweetener products pushed up the gross profit of the segment by 56% as compared to the same period last year.

Our more established segment of sweeteners had evolved to become a distinct system of operations. In view of the fact that its major customers were from the food and beverage industry and it served markets different from that of other products of the Group, we believe that the spin-off and separate listing of the business would put investors in a better position to analyse the respective prospects of the sweeteners business and other segments of the Group and make a more appropriate investment decision. Global Sweeteners Holdings Limited ("Global Sweeteners"), a subsidiary, was listed on the main board of the Hong Kong Stock Exchange on 20 September 2007.

After years of efforts, the development of polyol products made encouraging progress during the period under review. The construction work of a polyol plant with an annual production capacity of 200,000 tonnes was completed in the period under review and its trial production in July was satisfactory. The full commercial production at these facilities will substantially enhance the profitability of the Group.

The increased production of downstream products pushed up the internal demand for corn starch, our major upstream products. External sales volume of our upstream products therefore decreased during the period.

PROSPECTS

With the continual rapid economic growth and the recent rise in inflation rate in the PRC, consumer prices are on an upward trend which pushes up the prices of our major products. As regards raw materials, corn prices have started to level off after a year of substantial upsurge. The stringent restrictions imposed by the state on the production of ethanol using corn as a raw material, coupled with favourable factors including the anticipated good harvest this year, are expected to maintain the annualised corn prices at a stable level.

Shortage of supply in pork and other sorts of meat in the PRC prompted the development of livestock farming which in turn augmented the market demand for lysine used primarily as animal feed. Prices and sales of our lysine products continued to go up during the third quarter.

In August this year, the Hague District Court issued orders prohibiting our group companies from the import and/or trade of any infringing products, lysine products and compensating the damages of the plaintiffs. The Group believes that there are sufficient grounds to appeal against the court's judgment and is planning to file an appeal. Export of L-lysine products to the Netherlands accounted for only less than 3% of our total sales volume last year. The judgment has insignificant effect on the business of the Group.

Trial production of our polyol products, which represented the results of our internal development efforts, was completed in July. It is expected that revenue from this product will be substantially reflected in the accounts next year. The Group is the first in the world to produce polyol by using corn kernel as a raw material. Polyol products are widely used in the textile, plastic, construction materials, chemical and cosmetics industries and market demand for this product is very strong. At our Shanghai laboratory, a polyol application and development team has been established to engage in the research and promotion of polyol products as applied in different industries, which will further expand the sales of the product in future.

The year 2007 represents a new milestone for the development of the Group with the successful spin-off and separate listing of Global Sweeteners in late September. It signifies both the substantial development potential and strong foundation of the Group. The spin-off and listing of Global Sweeteners will put investors in a better position to analyse the respective business nature and prospects of each of the two listed companies in making an appropriate investment decision.

In recent years, we have striven to build a diversified product base and consolidate our leading position in the respective markets to which the products relate. This strategy has proven to be effective, making the Group the largest lysine producer in the PRC and one of the three largest lysine producers in the world. In terms of production capacity, our sweetener business is also one of the leaders in the corn sweeteners industry in the PRC. The Group will continue to develop other segments of corn-based chemical products to further consolidate our diversified revenue base.

Liu Xiaoming	**Xu Zhouwen**
Co-Chairman	*Co-Chairman*

24 September 2007

Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred as to the "Group") and each of its jointly controlled entities are 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

During the Period under review, the Group experienced a tight supply on corn kernel with the principal reason of its increasing demand for the production of ethanol in the PRC. With effective selling price adjustment mechanism, the increase in corn price due to the tight supply had brought no significant negative impact on the Group's profitability.

Since the second half of last year, global market of lysine became stable and lysine price rebounded from the bottom substantially, which provided the Group a better marketing environment. However, the increasing interest margin of the US and the PRC imposed additional pressure on the finance costs of the Group.

To effect a strategic allocation of client base and in view of keen demand from overseas markets, the Group maintained its sales to regions other than the PRC at similar level. During the Period, such export sales accounted for approximately 26% (2006: 25%) of the Group's revenue.

FINANCIAL PERFORMANCE

The Group's consolidated revenue increased by approximately 32% to approximately HK$2.7 billion (2006: HK$2.1 billion) as compared to the same period last year, which mainly resulted from additional output of high value-added downstream products. In view of the rebound of lysine price and enlarged sales volume of corn sweeteners and amino acids, the gross profit of approximately HK$601 million (2006: HK$463 million) for the Period increased by approximately 30%. Despite the pressure from finance costs and income taxes, the net profit of approximately HK$230 million (2006: HK$189 million) rose by 21%.

Upstream products segment

(Sales amount: HK$754 million (2006: HK$744 million))
(Gross profit: HK$103 million (2006: HK$98 million))

Due to the continual development of downstream products, the internal consumption of corn starch from upstream operation further increased. The sales volume of upstream products to external parties thus dropped by approximately 16% as compared to the same period of the previous year.

During the Period, the corn kernel price rose substantially by approximately 16% due to the anticipation that there would be an extensive use of corn kernels to produce oil-related materials such as ethanol in the PRC. With the effective selling price adjustment mechanism, average selling price of upstream products increased by approximately 21%. As a result, the gross profit margin improved slightly from approximately 13.2% to approximately 13.6%.

Downstream products segment
(Sales amount: HK$1,981 million (2006: HK$1,320 million))
(Gross profit: HK$498 million (2006: HK$364 million))

Because of the enlarged sales volume of both amino acids and corn sweeteners and rebound of lysine products, the revenue of downstream products increased substantially by approximately 50% during the Period. Similar to preceding year, the aggregate turnover of lysine and protein lysine of approximately HK$1,284 million (2006: HK$869 million) rising by approximately 48% constituted a major portion, approximately 47% (2006: 42%), of the Group's total turnover. Such strong performance was mainly derived from the improvement in both output efficiency and market condition of lysine products.

In view of the support from new upstream refinery in Dehui which commenced commercial production during the Period, the reliance of raw materials, i.e. glucose, supplied from our sweetener division for the production of amino acid products in Dehui has been reduced. Accordingly, the volume of corn sweeteners, mainly glucose, available for external sales became larger, which matched with our strategy to expand sweeteners market share. During the Period, sales of sweetener products increased by approximately 85% as compared to the same period of last year.

The gross profit of downstream products grew substantially by 37% in line with the enlarged sales volume. To align with the expansion strategy of sweetener products, the Group intended to use the resources from newly in place facilities in Dehui to produce amino acids there. However, the efficiency of such facilities had not yet reached its optimal level during the Period. In order to avoid unnecessary impact on the marketing strategy of sweetener segment but to obtain adequate raw material for the production of amino acids, the Group took a temporary action to purchase corn sweeteners externally amounting to approximately HK$122 million during this transitional period. Because of the higher material cost, the gross profit margin of amino acids remained at 27% (2006: 27%) although their selling price rose by approximately 19% as compared to previous year. In addition, the higher corn price pushed up the cost of production of other downstream products, the overall gross profit of downstream segment dropped slightly by approximately 2%.

Product segments
In line with the Group's strategy to expand the portfolio of downstream products, upstream products available for sales were reducing. The sales of upstream products accounted for approximately 28% of the Group's total, which was approximately 8% less than preceding year.

Operating expenses and tax
Due to the inflation and enlarged operation scale, the operating expenses other than finance costs increased by 20%. However, the ratio of such operating expenses to turnover slightly dropped by approximately 0.5% resulting mainly from the continuous and stringent control over operating costs, the enhancement in operating efficiency arising from expansion and enlarged turnover as the base of calculation.

The finance costs (after netting-off the amount capitalised as construction in progress of approximately HK$10 million (2006: HK$24 million)) accounted for approximately 4% (2006: 3%) of revenue. The increase was mainly attributable to the enlarged borrowing portfolio and upward trend of interest margin. It is anticipated that the pressure from finance costs remains heavy for the rest of this year.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can still enjoy income tax relief. However, due to the expiry of tax holiday of some other subsidiaries established in the PRC, the overall effective tax rate of the Group increased to approximately 15% (2006: 10%).

Performance of joint ventures

The Group has two joint venture projects with Cargill Inc. and Mitsui Group to engage in the manufacture and sales of high fructose corn syrup ("HFCS") and sorbitol products respectively. During the Period, these joint ventures recorded an operating profit and an operating loss of approximately HK$8 million (2006: HK$14 million) and approximately HK$6 million (2006: HK$1 million) respectively. In view of the strong demand of HFCS, stable return from this joint venture is expected. Looking forward, despite the immateriality to the Group's performance, the market condition of sorbitol segment is challenging because of the current unfavorable market condition. With the high flexibility in altering our production facilities and schedule, we can shift our sorbitol facilities to produce crystallised glucose instead.

Increase in net profit attributable to shareholders

Mainly resulted from the rebound of lysine price, capacity expansion of various products and stringent control over operating expense, the net profit attributable to shareholders improved by approximately 21% to approximately HK$230 million.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support additional working capital requirement and the capital expenditure on projects including the construction of facilities and/or expansion projects, the net borrowing as of 30 June 2007 enlarged to approximately HK$3.0 billion (31 December 2006: HK$2.3 billion).

Structure of interest bearing borrowings

As at 30 June 2007, the Group's bank borrowings amounted to approximately HK$4.0 billion (31 December 2006: HK$4.0 billion), of which approximately 8% (31 December 2006: 30%) were denominated in Hong Kong dollars or US dollars while the remainder were denominated in RMB. The average interest rate during the Period was approximately 6% (2006: 6%).

The percentage of interest bearing borrowings wholly repayable within one year and in the second to the fifth year were approximately 49% (31 December 2006: 81%) and 51% (31 December 2006: 19%) respectively. The change was mainly due to the refinance of short term borrowings by long term borrowings. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected. As at 30 June 2007, certain borrowings were secured by the Group's prepaid land premiums with a carrying value/aggregate net book value of approximately HK$62 million (31 December 2006: HK$62 million).

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. In view of the expanding capacity and market competition, favorable credit terms are granted to customers with good payment record. Trade receivables turnover days increased to approximately 40 days (31 December 2006: 29 days). To cope with the expanding production capacity of the Group, additional inventory, especially corn kernels, was kept and thus inventory turnover days increased to approximately 101 days (31 December 2006: 62 days). Meanwhile, the trade creditors turnover days decreased to approximately 32 days (31 December 2006: 25 days) in line with the seasonal pattern of stock acquisition.

The current ratio and the quick ratio as at 30 June 2007 at approximately 0.9 (31 December 2006: 0.7) and 0.6 (31 December 2006: 0.5) respectively improved slightly. Meanwhile, without significant changes in bank borrowings level, total assets and equity, gearing ratios in terms of (i) bank borrowings to total assets and (ii) bank borrowings to equity remained stable at approximately 36% (31 December 2006: 37%) and 71% (31 December 2006: 75%), respectively. In view of the commencement of the new upstream facilities in Dehui, higher raw material level was kept as at 30 June 2007, which caused the drop in cash level and unfavourable change of the gearing ratio of net debts to equity which increased to 54% (31 December 2006: 44%). Drop in interest coverage (i.e. EBIDTA over finance costs) to approximately 5 times (2006: 6 times) mainly resulted from the increase in both bank borrowings and interest margin.

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 Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2007.

PROSPECTS

It is the Group's mission to become one of the leading vertically integrated corn based biochemical product manufacturers in the Asia-Pacific Region and then a major player in the global market. To realize this objective, the Group will strive to enlarge its market share and diversify its product mix, as well as enhance its capability in developing high value-added downstream products through research and development and through strategic business alliances with prominent international market leaders.

Separate listing of Global Sweeteners

On 20 September 2007, one of the subsidiaries of the Company, 'namely Global Sweeteners Holdings Limited ("Global Sweeteners") (stock code: 3889), has successfully listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Net proceeds amounting to HK$568 million were raised. Currently the Group remains the major shareholder of Global Sweeteners and holds 70% equity shares of Global Sweeteners.

The principal objective of Global Sweeteners and its subsidiaries (collectively, "Global Sweeteners Group") is to strengthen its leading position in the corn sweetener market in the PRC. As one of the largest corn sweetener producers in the PRC, and it is of utmost importance for the Global Sweeteners Group to maintain its leading position in the market by expanding its production capacity, and at the same time, expand its sales network.

To expand its production capacity, it is intended to establish new production facilities for products, including but not limited to glucose, maltose, dextrin, crystallised glucose and HFCS, at existing locations of the production facilities of the Global Sweeteners Group and other locations in the PRC. These expansion plans will be principally financed by the proceeds from the listing.

It is also intended to expand Global Sweeteners Group's sales and marketing teams in terms of both headcounts and coverage. New sales or representative offices in certain provinces, including Guangdong, Shanghai and Dalian, of the PRC will be established in order to achieve higher efficiency, provide better service to the customers and obtain more information of the local market to assist the management to respond to changes in market conditions.

Polyol project

Polyol products include ethylene glycol, propylene glycol, glycerin and butanediols and 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. Currently, polyol chemical are derivative products of crude oil.

In the anticipation of the expected insufficient supply combining with the increasing price trend of the crude oil in the foreseeable future, the use of agricultural products as raw material of polyol becomes a sustainable and economic alternative.

The Board is of the opinion that the PRC and other regions in Asia are markets with enormous potential for the polyol chemical products. To capture such huge potential market, the construction work of a new plant in Changchun with an initial annual production capacity of 200,000 metric tonnes of the polyol chemical products has been currently completed. The trial run has been commenced and it is expected the success in the polyol project will generate large contribution to the Group in near future.

Amino Acids

Among those amino acids, the planned production capacity of lysine includes 140,000 metric tonnes of lysine and 220,000 metric tonnes of protein lysine. Meanwhile, the current expected annual consumption of lysine in the PRC had been over 240,000 metric tonnes (or equivalent to approximately 370,000 metric tonnes of protein lysine) and huge additional demand is expected when feed producers lift up their consumption rate of lysine to follow the national or western countries' indicated additive proportion.

In addition, the Group is also dedicated to the research and development of many other high value-added amino acids, including arginine, valine to fuel our growth momentum.

LITIGATIONS

The Company and certain of its subsidiaries are currently proposed respondents in an investigation under Section 337 of the Tariff Act of 1930, as amended, in the United States. Monetary remedies are not available and the complainant requested a permanent exclusion order and a cease and desist order against certain of the Group's products in the United States. The Directors, based on the advice from the Group's legal counsel, consider that the Group has sufficient grounds to defend the case. All estimated related legal costs arising have been properly accrued in the consolidated financial statements.

In addition, the Company and certain of its subsidiaries are currently proposed respondents in a litigation in The Hague District Court in relation to the infringement of three registered patents. On 22 August 2007, The Hague District Court handed down its judgment that two patents had been infringed by the respondents 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; all to be assessed by the court. The Company is currently seeking legal advice in respect of the judgment and the Directors believe the judgment to be incorrect. The Company intends to appeal against the court's judgment and the Directors are confident that the court's decision will be overturned eventually and no infringement compensation has been provided.

Save as disclosed above, there was no material contingent liability of the Group as at 30 June 2007.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2007, the Group had approximately 5,000 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.

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK1.0 cent per ordinary share (2006: HK1.0 cent) in respect of the Period. The Board expects that the proposed interim dividend will be paid on or around 19 November 2007.

DIRECTORS INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLING SHARES

As at 30 June 2007, the interests and short positions of the Directors in the share capital of the Company or its associated corporations (within the meaning at Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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**	**Percentage of Company's issued shares capital**
Liu Xiaoming	1	13,636,000	345,600,000	359,236,000	15.5%
Xu Zhouwen	2	14,040,000	211,040,000	225,080,000	9.7%
Kong Zhanpeng	3	13,040,000	172,800,000	185,840,000	8.0%
Wang Tieguang	4	8,892,800	172,800,000	181,692,800	7.8%
		49,608,800	902,240,000	951,848,800	41.0%

Notes:

1. 345,600,000 Shares were owned by LXM Limited, a company incorporated in the British Virgin Island ("BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr Liu Xiaoming. Mr Liu Xiaoming is a director or LXM Limited.

2. 211,040,000 Shares were 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. Mr. Xu Zhouwen is a director of Crown Asia Profits Limited.

3. 172,800,000 Shares were owned by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr Kong Zhanpeng. Mr Kong Zhanpeng is a director of Hartington Profits Limited. Mr Kong Zhanpeng has been resigned his position as Director on 20 September 2007.

4. 172,800,000 Shares were owned by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr Wang Tieguang. Mr Wang Tieguang is a director of Rich Mark Profits Limited.

Save as disclosed above, as at 30 June 2007, none of the Directors and chief executive of the Company had any interests or short positions in the securities or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors interest and short positions in shares and underlying shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or to any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors, at 30 June 2007, the following persons (other than the Directors) had an interest or short position in the shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO;

Name	*Note*	Number of Shares held	Percentage of Company's issued shares capital
LXM Limited	1	345,600,000	14.9%
FMR Corporation		228,031,600	9.81%
Fidelity Management & Research Company		227,919,600	9.81%
Crown Asia Profits Limited	2	211,040,000	9.1%
Hartington Profits Limited	3	172,800,000	7.5%
Rich Mark Profits Limited	4	172,800,000	7.5%

Notes:

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

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

3. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr Kong Zhanpeng, an ex-executive director of the Company. Mr Kong Zhanpeng has been resigned his position as Director on 20 September 2007.

4. The entire issued capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang, an executive director of the Company.

Save as disclosed above, no person, other than the Directors, had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed pursuant to Section 336 of the SFO.

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

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

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices.

In the opinion of the Directors, the Company has complied throughout the Period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In compliance with the Code, the Company has set up an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") under the Board. 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 practice of the Corporate Governance Code to set up a nomination committee.

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 are Mr Chan Man Hon, Eric, who is a solicitor and has been practicing in Hong Kong fro over 20 years and Mr Li Defa, who is the Dean of College of Animal Science and Technology, China Agricultural University.

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

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

Remuneration Committee

During the Period, the members of the Remuneration Committee comprise two independent non-executive directors, Mr Lee Yuen Kwong and Mr Chan Man Hon, Eric and one executive director, Mr Kong Zhanpeng. Mr Chan Man Hon, Eric is the Chairman of the Remuneration Committee. The duties of the Remuneration Committee, among others, are 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.

As at 20 September 2007, Mr Kong Zhanpeng resigned his positions as director and member of Remuneration Committee. Mr Wang Tieguang, an executive Director, has been appointed as a member of Remuneration Committee at the same date.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 October 2007 to 15 October 2007, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 11 October 2007.

By order of the Board of
Liu Xiaoming **Xu Zhouwen**
Co-Chairman *Co-Chairman*

Hong Kong, 24 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
REVENUE			
Sales of goods	4	**2,734,458**	2,064,841
Cost of sales		**(2,133,421)**	(1,602,114)
Gross profit		**601,037**	462,727
Other income	4	**27,970**	13,694
Selling and distribution costs		**(150,829)**	(122,148)
Administrative expenses		**(86,977)**	(65,199)
Other expenses		**(10,568)**	(9,936)
Finance costs	5	**(111,403)**	(69,311)
PROFIT BEFORE TAX	6	**269,203**	209,827
Tax	7	**(39,315)**	(20,472)
PROFIT FOR THE PERIOD		**229,915**	189,355
EARNINGS PER SHARE	8		
— Basic		**HK9.9 cents**	HK8.2 cents
— Diluted		**N/A**	HK8.2 cents
DIVIDEND PER SHARE	9	**HK1.0 cent**	HK1.0 cent

	Notes	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,610,674**	6,376,507
Prepaid land premiums		**497,574**	495,319
Deposits paid for acquisition of property, plant and equipment		**329,080**	307,042
Goodwill		**360,889**	360,889
Long term loan to a jointly-controlled entity	16(b)	**40,000**	40,000
Total non-current assets		**7,838,217**	7,579,757
CURRENT ASSETS			
Inventories		**1,192,289**	603,669
Trade receivables	10	**600,976**	375,183
Prepayments, deposits and other receivables		**316,731**	356,169
Due from jointly-controlled entities	16(b)	**19,864**	23,539
Tax recoverable		**10,484**	5,842
Cash and cash equivalents		**953,020**	1,630,041
Total current assets		**3,093,364**	2,994,443
CURRENT LIABILITIES			
Trade payables	11	**375,647**	240,786
Other payables and accruals		**948,577**	1,019,929
Interest bearing bank and other borrowings		**1,941,857**	3,208,809
Tax payable		**26,562**	19,170
Total current liabilities		**3,292,643**	4,488,694
NET CURRENT LIABILITIES		**(199,279)**	(1,494,251)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,638,938**	6,085,506
NON-CURRENT LIABILITIES			
Interest bearing bank and other borrowings		**2,012,224**	741,696
Deferred income		**27,092**	26,451
Due to a venturer of a jointly-controlled entity		**20,000**	20,000
Deferred tax		**18,037**	17,975
Total non-current liabilities		**2,077,353**	806,122
Net assets		**5,561,585**	5,279,384

	Notes	**30 June 2007 (Unaudited) HK$'000**	31 December 2006 (Audited) HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	**231,885**	231,885
Reserves		**5,329,700**	5,001,122
Proposed final dividend		**—**	46,377
Total equity		**5,561,585**	5,279,384

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Issued share capital HK$'000	Share premium HK$'000	Assets revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total HK$'000
At 1 January 2007	231,885	1,820,199	80,718	76,495	228,087	2,795,623	46,377	5,279,384
Exchange realignment and total income recognised directly in equity	—	—	—	—	98,705	—	—	98,705
Issue of shares	—	6	—	—	—	—	—	6
Profit for the period	—	—	—	—	—	229,915	—	229,915
Final 2006 dividend paid	—	—	—	—	—	(243)	(46,182)	(46,425)
At 30 June 2007 (Unaudited)	231,885	1,820,205*	80,718*	76,495*	326,792*	3,025,295*	195*	5,561,585
At 1 January 2006	231,884	1,820,070	80,718	4,094	130,662	2,436,361	34,783	4,738,572
Issue of shares	1	129	—	—	—	—	—	130
Profit for the period	—	—	—	—	—	189,355	—	189,355
Final 2005 dividend paid	—	—	—	—	—	(405)	(34,587)	(34,992)
Transfer from retained profits	—	—	—	502	—	(502)	—	—
At 30 June 2006 (Unaudited)	231,885	1,820,199*	80,718*	4,596*	130,662*	2,624,809*	196*	4,893,065

* These reserve accounts comprise the consolidated reserves of the Group of HK$5,329,700,000 (30 June 2006 (unaudited): 4,661,180,000) on the condensed consolidated balance sheet.

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(255,349)**	(63,411)
Net cash outflow from investing activities	**(272,591)**	(834,196)
Net cash outflow from financing activities	**(149,381)**	(95,539)
DECREASE IN CASH AND CASH EQUIVALENTS	**(677,321)**	(993,146)
Cash and cash equivalents at beginning of period	**1,630,341**	2,066,424
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**953,020**	1,073,278
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**919,120**	1,022,394
Non-pledged time deposits with original maturity of less than three months when acquired	**33,900**	31,653
Pledged deposits with original maturity of less than three months	**—**	19,231
	953,020	1,073,278

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the Period were authorised for issue in accordance with a resolution of the directors passed on 24 September 2007.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 1999. The Group is involved in the manufacture and sale of corn refined products and corn based biochemical products.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

Net current liabilities

The Group had consolidated net current liabilities of HK$199,279,000 at 30 June 2007 (31 December 2006: HK$1,494,251,000). The Directors consider that it is appropriate to prepare the interim condensed financial information on a going concern basis because in their opinion, the Group will have adequate working capital to finance its operations and the Directors do not anticipate that any of the existing loan lenders, mainly the PRC bankers, would tighten nor withdraw the credit facilities granted to the Group in the foreseeable future.

Significant accounting policies

The accounting policies adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except for the adoption of the following Hong Kong Financial Reporting Standards ("HKFRSs") mandatory for annual periods beginning on or after 1 January 2007.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation of the Group's condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs relevant to the condensed consolidated financial statements that have been issued but are not yet effective.

HKFRS 8	Operating Segments
HK (IFRIC)-Int 11	Group and Treasury Share Transactions
HK (IFRIC)-Int 12	Service Concession Arrangements
HKAS 23 (revised)	Borrowing costs

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Segment information is presented by way of the following segment formats:

(i) on a primary segment reporting basis, by business segment; and

(ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	Six months ended 30 June							
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**753,544**	744,433	**1,980,914**	1,320,408	**—**	—	**2,734,458**	2,064,841
Intersegment sales	**828,053**	500,793	**—**	—	**(828,053)**	(500,793)	**—**	—
Total revenue	**1,581,597**	1,245,226	**1,980,914**	1,320,408	**(828,053)**	(500,793)	**2,734,458**	2,064,841
Segment results	**118,547**	119,597	**261,525**	162,605	**—**	—	**380,072**	282,202
Unallocated revenue							**27,970**	13,694
Unallocated expenses							**(27,409)**	(16,758)
Finance costs							**(111,403)**	(69,311)
Profit before tax							**269,230**	209,827
Tax							**(39,315)**	(20,472)
Profit for the period							**229,915**	189,355

(b) Geographical segments

	Mainland China		Countries other than Mainland China		Consolidated	
	Six months ended 30 June					
	2007	2006	**2007**	2006	**2007**	2006
	(Unaudited)	Unaudited)	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,029,280**	1,550,397	**704,797**	514,444	**2,734,077**	2,064,841

4. REVENUE AND OTHER INCOME

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 other income is as follows:

	Six months ended 30 June 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Bank interest income	**13,889**	5,307
Sale of scraps and raw materials	**7,271**	4,563
Others	**6,810**	3,824
	27,970	13,694

5. FINANCE COSTS

	Six months ended 30 June 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Interest on bank loans:		
Wholly repayable within five years	**121,622**	90,082
Repayable beyond five years	**—**	32
	121,622	90,114
Amortisation of fees incurred for the granting of banking facilities	**—**	2,906
	121,622	93,020
Less: Interest capitalised	**(10,219)**	(23,709)
	111,403	69,311

6. PROFIT BEFORE TAX

The Group's profit from operating activities is arrived at after charging:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Provision for legal expenses (see note 14)	**8,878**	8,200
Depreciation	**160,355**	128,077
Amortisation of prepaid land premiums	**8,733**	9,117
Amortisation of fees incurred for the granting of banking facilities	**—**	2,906

7. TAX

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Provisions for the current period:		
Hong Kong profits tax	**4,000**	5,076
PRC Corporate income tax	**35,315**	15,396
Tax charge for the Period	**39,315**	20,472

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the Period (2006: 17.5%). Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

All of the Group's subsidiaries operating in the PRC are exempt from PRC income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from the PRC income tax for the following three years.

During the current period, taxes on the assessable profits of three (2006: two) PRC subsidiaries had been calculated at 50% of the applicable prevailing tax rate in the PRC and a favourable tax rate of 10% has been granted by tax authorities to another three (2006: five) PRC subsidiaries being granted Technological Advanced Enterprise status. Accordingly, taxes on the assessable profits of these PRC subsidiaries had been calculated at a lower applicable rate.

7. TAX (CONTINUED)

No provision for income tax has been made for one (2006: one) of the Group's PRC subsidiaries and one (2006: one) jointly-controlled entity as they remain exempt from income tax for their first two profitable years of their operations.

The remaining PRC subsidiaries and jointly-controlled entity of the Group have not made any provision for income tax as they did not generate any assessable profits for the current and prior periods.

Tax recoverable represents excess of tax payment over estimated tax liabilities by certain group companies.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the period of approximately HK$229,915,000 (2006: HK$189,355,000) and the weighted average number of 2,318,848,991 (2006: 2,318,838,700) ordinary shares in issue during the Period.

Since there were no dilutive potential ordinary shares as at 30 June 2007, diluted earnings per share equals to basic earnings per share for the Period. At 30 June 2006, the Company had outstanding bonus warrants. Since the exercise price of these bonus warrants was higher than the average market price of the Company's ordinary shares during that period, no shares were assumed to have been issued on the deemed exercise of the Company's warrants.

9. DIVIDEND

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Interim — HK1.0 cent (2006: HK1.0 cent) per ordinary share	**23,188**	23,188

At the board meeting held on 24 September 2007, the directors declared interim dividend of HK1.0 cent per ordinary share. The interim dividend is not reflected as a dividend payable in the interim condensed consolidated financial statements.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of 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. The carrying amounts of trade receivables approximate to their fair values.

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

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Within 1 month	**326,177**	233,791
1–2 months	**150,264**	57,666
2–3 months	**47,013**	36,289
Over 3 months	**77,522**	47,437
Total	**600,976**	375,183

11. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, except for the purchase of corn kernels from farmers, which are normally settled on a cash basis. The carrying amounts of trade payables approximate to their fair values.

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

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Within 1 month	**260,941**	145,426
1–2 months	**38,962**	19,747
2–3 months	**19,256**	12,677
Over 3 months	**56,488**	62,936
Total	**375,647**	240,786

12. SHARE CAPITAL

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

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Authorised:		
10,000,000,000 (31 December 2006: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
2,318,849,403 (31 December 2006: 2,318,848,802) ordinary shares of HK$0.10 each	**231,885**	231,885

	Number of Shares in issue *'000*	**Par value** *HK$'000*
Issued share capital as at 1 January 2007 (Audited)	2,318,849	231,885
Exercise of warrants *(Note)*	—	—
Share capital as at 30 June 2007 (Unaudited)	2,318,849	231,885

Note: During the period, 601 warrants were exercised which resulted in the issue of 601 ordinary shares of the Company amounting to HK$60 and share premium of HK$5,820. No significant issue expenses have been noted.

13. CONTINGENT LIABILITIES

Save as disclosed in note 14 below, the Group did not have any significant contingent liabilities at the balance sheet date.

At 30 June 2007, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$1,701,500,000 (31 December 2006: HK$1,790,907,000).

At 31 December 2006, the Company provided a guarantee to a jointly-controlled entity in favour of the bank for banking facilities granted to the jointly-controlled entity, which was utilised to the extent of HK$11,625,000. The loan was fully settled during the period.

14. LITIGATION AND INVESTIGATION

(a) As at 30 June 2007, the Company and certain of its subsidiaries (the "Relevant Member Group") were involved in a civil law case at The Hague District Court initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. (the "Plaintiffs") in relation to the alleged infringement of patents in the Netherlands. Subsequent to 30 June 2007, on 22 August 2007, a judgement was made by The Hague District Court in favour of the Plaintiffs. However, based on the legal advice obtained from the legal counsel in September 2007, the directors are of the opinion that the litigation would be defendable and accordingly, no provision for this alleged infringement of patents has been made as at 30 June 2007 (31 December 2006: Nil). In addition, in the opinion of the directors, the Relevant Member Group had ceased the alleged infringing activities, and therefore, the potential liability is limited in this respect. The Relevant Member Group intends to file an appeal to revoke the aforesaid judgement and the directors are now seeking further advice from its legal counsel. Should the final outcome from the litigation been found to be not favourable to the Group, the directors are of the opinion that the total amount of the claims is not significant. Details of the litigation have been disclosed in the announcement of the Company dated 22 August 2007. All estimated related legal fees arising therefrom have been accrued in the interim condensed consolidated financial statements.

(b) As at 30 June 2007, the Relevant Member Group are also currently proposed respondents in an investigation under Section 337 of the Tariff Act of 1930, as amended in the United States in relation to the infringement of patents. Monetary remedies are not available and the complainant has requested a permanent exclusion order and a cease and desist order against certain of the Group's products in the United States. The directors, based on the legal advice obtained in September 2007, consider that the Group has sufficient grounds to defend the case. All estimated related legal fees arising therefrom have been accrued in the interim condensed consolidated financial statements.

15. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Contracted, but not provided for:		
Leasehold buildings	**112,794**	79,951
Plant and machinery	**125,660**	131,859
	238,454	211,810

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		Six months ended 30 June	
		2007	2006
		(Unaudited)	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*
Sales of corn starch to a jointly-controlled entity	(i)	**22,627**	33,155
Sales of corn sweeteners to a jointly-controlled entity	(i)	**9,049**	14,147
Purchases of sorbitol from a jointly-controlled entity	(i)	**1,920**	3,152
Purchase of sweeteners from a jointly-controlled entity	(i)	**3,251**	—
Utility costs charged to jointly-controlled entities	(ii)	**3,216**	4,862
Sales of Lysine to Cargill, Incorporated and its subsidiaries	(iii)	**—**	8,497
Sales of goods to Mitsui & Co., Ltd. and its subsidiaries	(iv)	**3,710**	—

(i) The sales and purchases were made at prices which are comparable to the prices offered to other customers of the Group.

(ii) The utility costs were charged based on the actual costs incurred.

(iii) Cargill, Incorporated is the joint venture partner of Global Bio-chem Cargill Limited in which the Group effectively held a 50% equity interest. The transactions were made at prices mutually agreed between the parties.

(iv) Mitsui & Co., Ltd. is the joint venture partner of Global Nikken (H.K.) Company Limited in which the Group effectively held a 51% equity interest. The transactions were made at prices mutually agreed between the parties.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with the related parties

	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Long term loan to a jointly-controlled entity	**40,000**	40,000
Short term balance due from jointly-controlled entities	**19,864**	23,539
Due to a venturer of a jointly-controlled entity	**20,000**	20,000

The long term loan was 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.

The short term balance due from jointly-controlled entities is unsecured, interest-free and is repayable within one year. The balance approximates to its fair value.

Since the Group has no legal right to offset the long term loan advanced to a jointly-controlled entity against the venturer's share of liability of that jointly-controlled entity, the balance were not eliminated.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Short term employee benefits	**7,122**	7,296
Post-employment benefits	**34**	36
Total compensation paid to key management personnel	**7,156**	7,332

17. POST BALANCE SHEET EVENT

On 10 September 2007, Global Sweeteners Holdings Limited ("Global Sweeteners"), a wholly-owned subsidiary of the Group, issued the prospectus in relation to the public offering and placement of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dealings in the shares of Global Sweeteners on the Stock Exchange commenced on 20 September 2007. The successful listing of the shares of Global Sweeteners is regarded as a deemed disposal of the subsidiaries of the Group.

18. COMPARATIVE AMOUNTS

An amount due to a venturer of a jointly-controlled entity of HK$20,000,000 as at 31 December 2006 was reclassified from current liabilities to non-current liabilities, as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Company's financial position.

ERNST & YOUNG
安永會計師事務所

To the board of directors of **Global Bio-chem Technology Group Company Limited**

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 31 which comprises the condensed consolidated balance sheet of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

24 September 2007