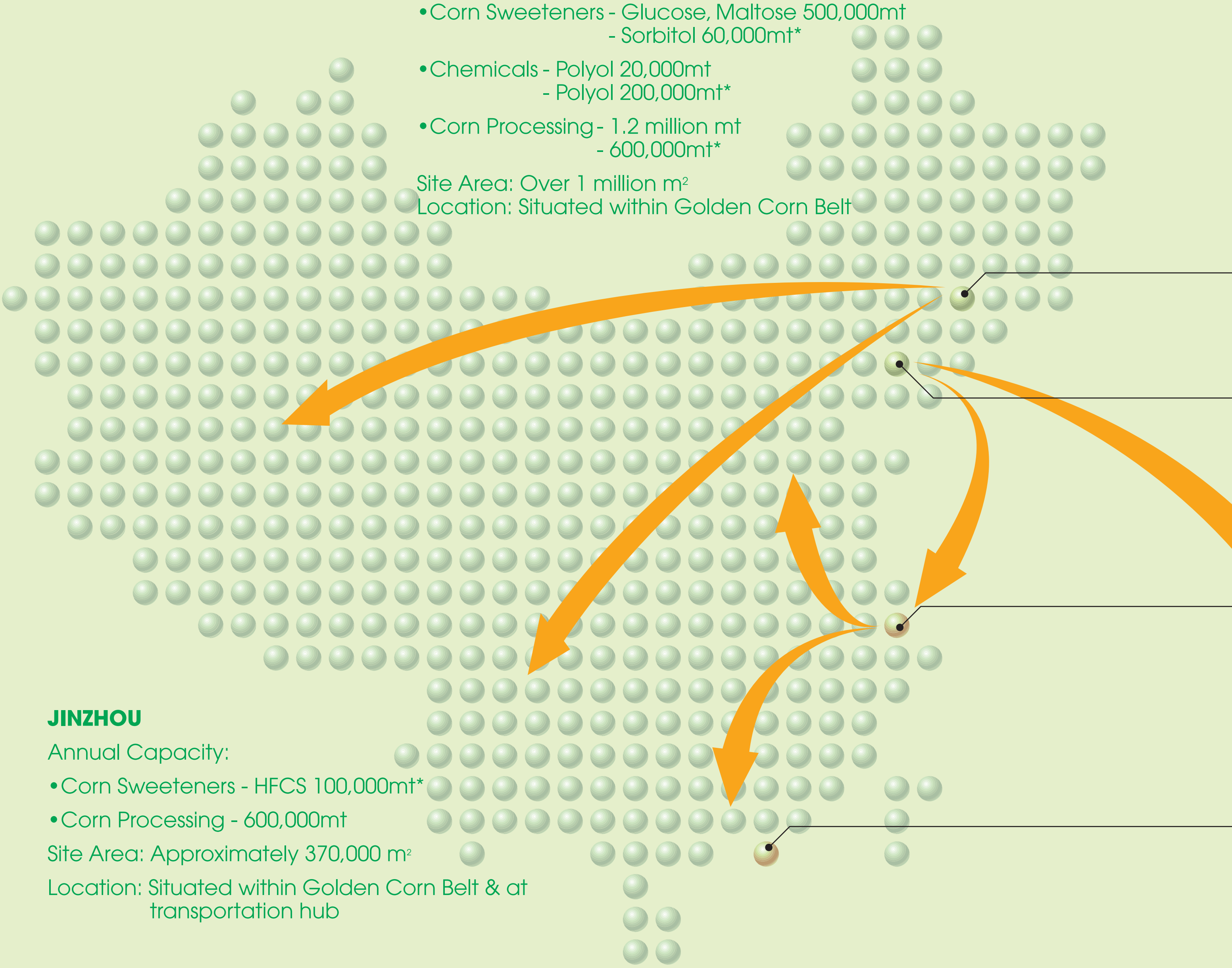
CHANGCHUN

Annual Capacity:

- Amino Acids - Lysine 100,000mt
  - Protein Lysine 140,000mt
  - Glutamic Acid 100,000mt*
  - Threonine 10,000mt*
- Modified Starch - Food Grade 30,000mt
  - Paper Grade 60,000mt
- Corn Sweeteners - Glucose, Maltose 500,000mt
  - Sorbitol 60,000mt*
- Chemicals - Polyol 20,000mt
  - Polyol 200,000mt*
- Corn Processing - 1.2 million mt
  - 600,000mt*

Site Area: Over 1 million m^2

Location: Situated within Golden Corn Belt



JINZHOU

Annual Capacity:

- Corn Sweeteners - HFCS 100,000mt*
- Corn Processing - 600,000mt

Site Area: Approximately 370,000 m^2

Location: Situated within Golden Corn Belt & at transportation hub

SHANGHAI

Annual Capacity:

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

Site Area: Approximately 30,000 m^2

Location: Situated in close proximity to food & beverage manufacturer

HONG KONG

Headquarters

Note:
* In progress

CHANGCHUN

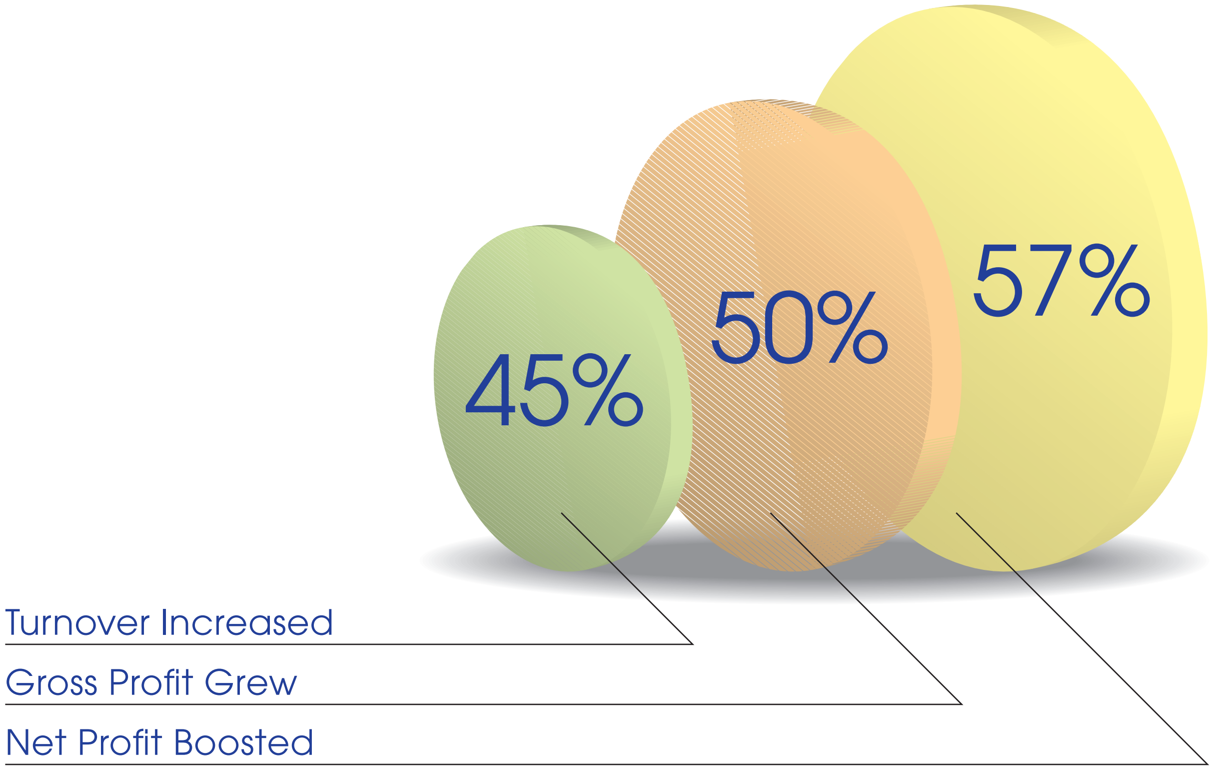
JINZHOU

SHANGHAI

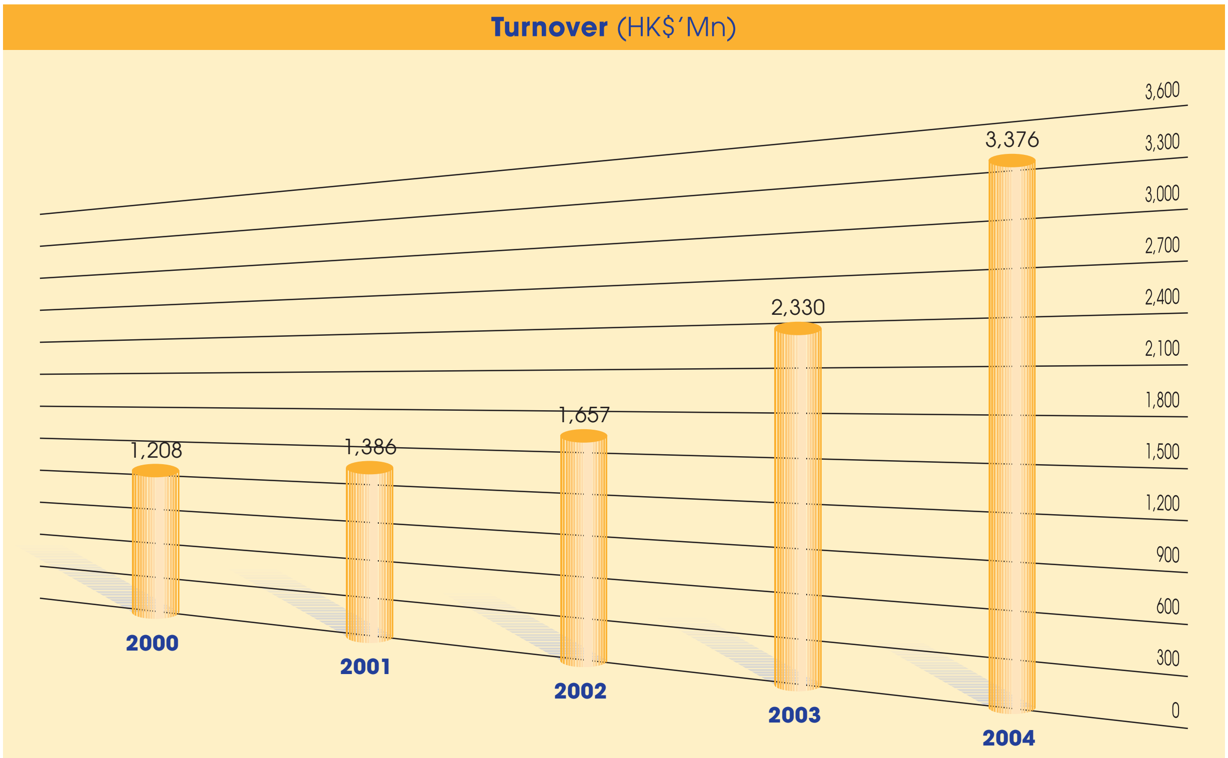
HONG KONG

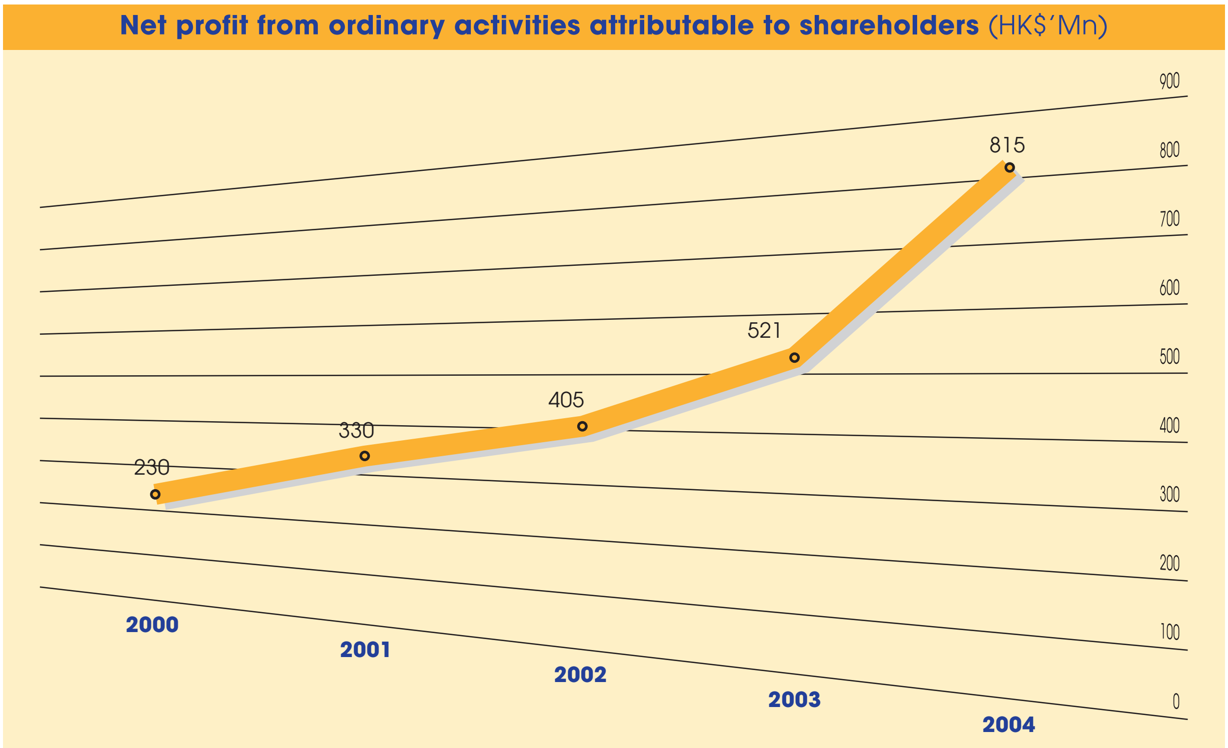
Contents

Financial Highlights



	2004	2003	%
	HK$'Mn	HK$'Mn	Change
Turnover	**3,376**	2,330	45
Profit before tax	**989**	636	55
Net profit from ordinary activities attributable to shareholders	**815**	521	57
Earnings per share — basic	**HK38.9 cents**	HK26.5 cents	47
Dividends per share			
— Interim	**HK2.5 cents**	HK2.0 cents	25
— Proposed final	**HK5.0 cents**	HK2.5 cents	100
Return on equity	**20%**	21%	(1)


Turnover (HK$'Mn)
3,600
3,300
3,000
2,700
2,400
2,100
1,800
1,500
1,200
900
600
300
0
1,208
1,386
1,657
2,330
3,376
2000
2001
2002
2003
2004


Net profit from ordinary activities attributable to shareholders (HK$'Mn)
900
800
700
600
500
400
300
200
100
0
230
330
405
521
815
2000
2001
2002
2003
2004

Message to Shareholders

Dear Fellow Shareholders,

BUSINESS REVIEW

In 2004, Global Bio-chem sustained rapid growth with its turnover and net profit surged by 45% and 57% respectively compared with the preceding year. Overall gross profit margin was 39%.

Last year, the Group's major products recorded an outstanding performance in both production and sales. Although lysine prices have declined since the second half of the year due to the rapid capacity expansion by major global manufacturers, the Group managed to achieve satisfactory growth by strong production capacity, effective cost control measures and sound sales network.

The Group is also one of the pioneers in the world in using corn starch to commercialise polyol products production, signifying a technology breakthrough to relieve today's global oil shortage problem as well as establishing our leading position in this aspect. In addition, the Group is also the largest manufacturer of corn sweeteners in China, sustaining a definite market share and providing a supply of sweeteners as raw material for other downstream products. Meanwhile, our upstream corn processing capacity has been raised to ensure that there is sufficient supply of raw materials for the development of downstream products.

STRENGTHENED PRODUCTION CAPACITY TO SOLIDIFY WELL-ESTABLISHED POSITION AS A MARKET LEADER

After years of development, the Group has become the largest corn processing manufacturer in China with its annual corn processing capacity reaching 1.8 million metric tonnes by the end of 2004, which represented 1.2 million metric tonnes of corn starch and around 600,000 metric tonnes of corn refined by-products including corn oil, corn gluten, fibre and feeds etc.. Production capacity of downstream products include 120,000 metric tonnes of lysine, 560,000 metric tonnes of corn sweeteners and 90,000 metric tonnes of modified starch. Thus, the Group has become the largest manufacturer of lysine and corn sweeteners in China. Also, the Group is actively involved in the expansion of overseas market to establish product sale worldwide.

The Group's lysine production plant in Dehui, Jilin Province, with an annual capacity of 120,000 metric tonnes, commenced commercial operation in January 2005, raising the overall lysine production capacity to 240,000 metric tonnes. The Group thus became the largest lysine manufacturer in China and one of the top three players in the world.

In September 2004, the Group acquired a corn sweetener plant with an annual capacity of 150,000 metric tonnes. After expansion the capacity raised to 500,000 metric tonnes. It not only enabled us to maintain our existing market sales but also provide a solid foundation for the production and capacity expansion of other downstream products including amino acids, sorbitol and polyol products etc..

PRODUCT MIX DIVERSIFICATION TO SUSTAIN GROWTH MOMENTUM

It is expected the lysine series business will remain stable. Research is currently carried out to develop new lysine micro-organism with improved conversion ratio and production efficiency which will reduce production costs and maintain substantial gross margin. We are also dedicated to the research and development of many other high value-added amino acids, including arginine, threonine and valine to fuel our growth momentum. Trial production and sale of threonine is currently in progress and it is expected that a production plant with an annual capacity of 10,000 metric tonnes will commence commercial production in 2005. Also, glutamic acid plant with an annual production capacity of 100,000 metric tonnes is currently under construction and is expected to start commercial production in 2005.

The joint venture project with Mitsui Group for the production of the sorbitol, which has an annual capacity of 60,000 metric tonnes, is on the verge of completion. Commercial production is expected to commence in 2005.

It is the Group's long term strategy to sustain its growth momentum by ongoing research and development to enhance the Group's competitiveness. In 2004, the Group became one of the first global players in the successful commercialisation of polyol products using corn starch in substitution of petroleum. During the year, a production plant with an annual capacity of 20,000 metric tonnes was completed and commenced trial production, delivering products which were soon well-accepted by the market. The application of chemical technology of using corn starch reduces production cost of polyol products and relieve reliance on petroleum. This project is expected to have a promising future given worldwide shortages of petroleum and upsurges in oil prices. According to some statistics, the demand for ethylene glycol and propylene glycol in China was around 4 million metric tonnes and 150,000 metric tonnes respectively in 2004, whereas their imports were around 3 million metric tonnes and 92,000 metric tonnes respectively. In view of this huge market demand, the Group is confident that polyol products will be our major driver of growth in the future.

The polyol project will be one of the Group's important focus for future development. A production line with an annual capacity of 200,000 metric tonnes is currently in the design and preparation stage. It is expected that construction will begin in 2005. Ethylene glycol and propylene glycol of polyol have a wide range of applications in various industries including textile, plastics, chemical, pharmaceutical and cosmetics etc.. The Group believes that the polyol project will play an important role to sustain the Group's high growth in the future.

Apart from the expansion of downstream products, the Group is also in active expansion of the overseas market. In terms of volume, the Group covers an approximate 30% share of the global lysine market. Our promotions initiative over the last year has won us recognition in the overseas market. Export of lysine reached 17,000 metric tonnes, tripled the amount as compared with the previous year, with our sales network extended to Europe, America, and Asia, etc.. We are dedicated to further explore the international market. In 2005, we expect a substantial volume growth in the sales of lysine overseas.

Corn kernels, our major raw material, had great harvest towards the end of last year. This has kept corn prices stable. As at year end , the Group maintained a storage level of 400,000 metric tonnes, adequate for three months' production needs of the Group.

The Group expects that the economic development of China will be steady and demand for our products will remain strong. The Group's strong production capacity and leading technology know-how has established its prominent position in the domestic and international lysine market. Having established the Group's leading position in the domestic lysine market, we expect to extend our global market share by increasing export sales. At the same time, research and development of downstream products will continue and efforts will be made to enhance new product commercialisation, with an aim to expand the revenue base of the Group as well as to explore new areas for profit growth.

The management will continue to strive for excellence in corporate governance and to enhance communications with investors. Meanwhile, the management is committed to further enhance operating efficiency and maximise returns on assets, thereby generating reasonable returns for shareholders and maximising shareholders' value. On behalf of Global Bio-chem, we would like to extend our most heartfelt thanks to our customers, business partners, investors, shareholders and staff who have rendered continuous support over the years.

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

12 April 2005

Table of Major Events

January

Dehui Amino Acid Production Centre commenced production to expand Lysine production capacity by 120,000 mtpa, Lysine series' total production capacity reached 240,000 mtpa

2005

October

Commenced production of polyol products with capacity of 20,000 mtpa

Placement and top-up subscription for 150 million shares to raise net proceeds of HK$830 million

Construction of Glutamic Acid Plant commenced with capacity of 100,000 mtpa

September

Acquired Changchun Dihao of corn sweetener production capacity 150,000 mtpa. Further expansion to 500,000 mtpa had been completed in December

Appointed Mr. Li Defa as independent non-executive director

July

Jinzhou Corn Processing Plant commenced operation, raised Corn Refinery capacity to 1.8 million mtpa

February

Signed Joint Venture Agreement with Mitsui Group to produce Sorbitol

January

Commenced production of Protein Lysine with capacity of 60,000 mtpa; Lysine series' total production capacity more than doubled to 100,000 mtpa

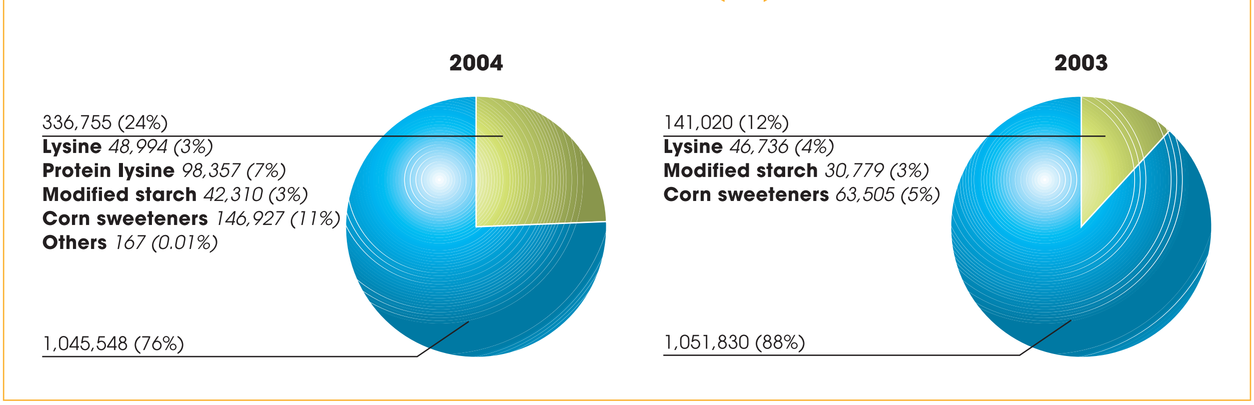
Appointed Mr. Liu Xiaoming and Mr. Xu Zhouwen as Co-Chairmen

2004

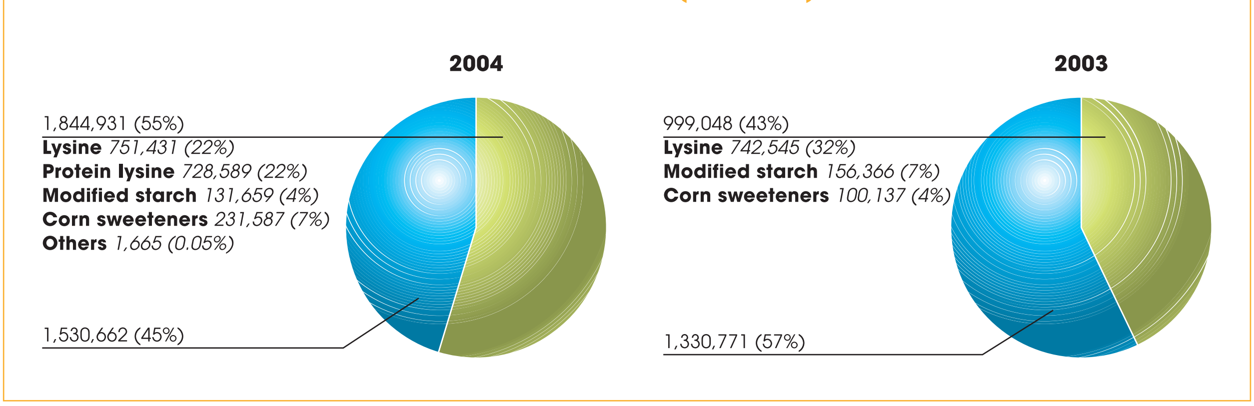
mtpa: metric tonne(s) per annum

Sales and Gross Profit Analysis

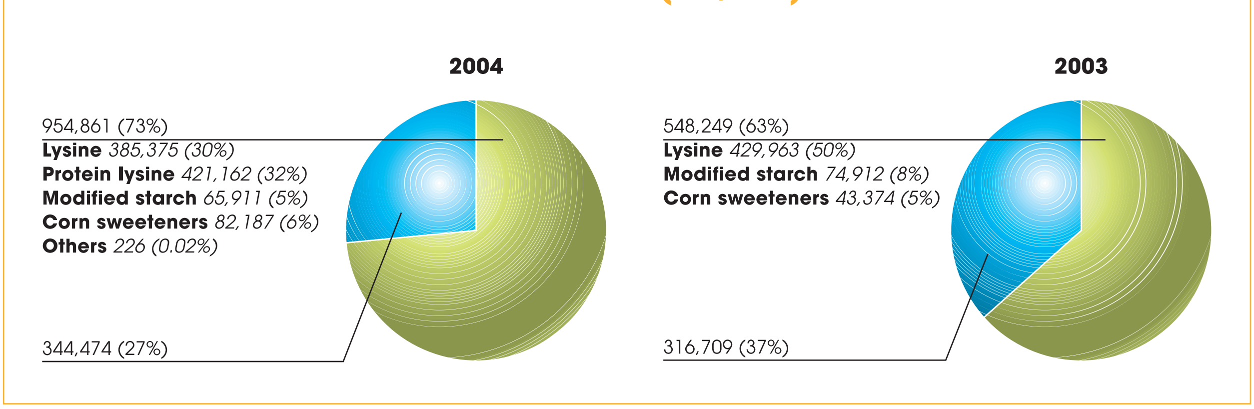
Sales volume (mt)



Sales amount (HK$'000)



Gross Profit (HK$'000)



Downstream products Upstream products

mt: metric tonne(s)
%: percentage to the Group's total

Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") are engaged in the manufacture and sale of corn based products, categorised into upstream and downstream products. Upstream products, extracted from corn kernels, include corn starch, corn oil, gluten meal and fibres. Corn starch is then further refined, chemically and/or bio-chemically, into a wide range of high value-added downstream products including amino acids, corn sweeteners, modified starch and polyol products.

BUSINESS ENVIRONMENT

During the year under review (the "Year"), the momentum for economic growth in the PRC remained strong but there was overheating appeared in some industries such as automotive, steel, power industry etc. in order to control the situation, the PRC Government introduced austerity measures such as tightened bank lending and borrowing policies and land use. Some of the enterprises were subject to difficult financing environment and tight land supply. However, the impact on the Group's operations was insignificant as 80% of the Group's power consumption was supported by its own power plants. Furthermore, the Group has strong financial resources for capital injection into new projects.

In the Year, the market price of corn kernels rose by approximately 5% as compared to 2003. In order to control the production cost, the Group maintained a high corn kernels storage level upon the harvest season, which minimised the effect of raw material on the price fluctuation. Part of the increased production cost had been successfully shifted to our customers by raising the prices of upstream products so the gross profit margin was kept stable. In addition, being fully vertically integrated, the rise in the price of corn starch did not cause significant effect on our downstream products production.

The product diversification strategy has successfully widen our product portfolio. During the year, the Group had launched a new series of product — the polyol products into commercial production. The Group became one of the pioneer in the PRC to use renewable resource to replace petroleum to produce such products. For lysine business, the Group maintained as one of the major global players while there is no comparable competitor in the PRC. Both modified starch and corn sweeteners faced downward price adjustment owing to domestic competition and low-priced substitutes, and the utilisation of the corresponding products were then adjusted.

While the PRC remained the Group's principal market, the Group further extended its sales to other regions to achieve a strategic diversification of client base and capture global demand. During the Year, sales to regions other than the PRC accounted for approximately 14% (2003: 7%) of the Group's turnover.

FINANCIAL PERFORMANCE

The Group's consolidated turnover of approximately HK$3.4 billion (2003: HK$2.3 billion), gross profit of approximately HK$1,299 million (2003: HK$865 million) and net profit of approximately HK$815 million (2003: HK$521 million) for the Year increased by approximately 45%, 50% and 57% respectively, as compared to year 2003. This outstanding performance was mainly derived from the Group's success in the expansion of downstream products.

Downstream Products Segment

(Sales amount: HK$1,845 million (2003: HK$999 million))
(Gross profit: HK$955 million (2003: HK$548 million))

During the Year, the market price of lysine fluctuated significantly. In the first quarter of the Year, the price of lysine increased to over HK$25,000 per metric tonne. Since then there were some capacity expansion projects announced to produce lysine both in the PRC and other parts of the world which meant that there would be huge additional supply of lysine in 2005, and as a result the price fell to the lowest of approximately HK$12,000 per metric tonne in the second half. Consequently, the average selling price of lysine was approximately HK$15,300 per metric tonne and the performance of lysine operation during the Year remained at a similar level as compared to year 2003.

Commercial production of protein lysine in Changchun was commenced in early 2004 while a corn sweetener plant in Changchun was acquired in the second half of the Year. The turnover generated from these two new sources amounted to approximately HK$729 million and HK$147 million respectively, which were in fact the momentum for the increase in sales of downstream products segment in year 2004. Accordingly, the sales and gross profit achieved by downstream products segment increased by approximately 85% and 74% respectively as compared to year 2003.

Although the paper-grade modified starch had commenced operation during the Year, the market condition was undesirable due to competitions from small local suppliers. In addition, some of these production facilities had been used to produce an intermediate raw material for protein lysine. As a result, the performance of modified starch improved slightly during the year.

In the third quarter 2004, the polyol pilot plant in Changchun had commenced its trial run and few hundred metric tonnes polyol products were sold to customers mainly for their trial uses.

FINANCIAL PERFORMANCE (continued)

Upstream Products Segment

(Sales amount: HK$1,531 million (2003: HK$1,331 million))
(Gross profit: HK$344 million (2003: HK$317 million))

In mid 2004, the Jinzhou corn processing plant has commenced its operation and upstream products of approximately 180,000 metric tonnes were generated during the Year. However, in view of the reduction of corn starch available for external customers because of expanded internal consumption of approximately 1 million metric tonnes for downstream products, the sales volume of upstream products during the Year remained at a similar level as compared to 2003.

An improvement in turnover of upstream products was mainly contributed by the increase in their average selling prices, which was in line with the price increase in corn kernels due to the low production yield of corn kernels in the PRC in the late 2003.

Since the efficiency of Jinzhou corn processing plant had not yet reached its optimal level during the initial production period, the overall gross profit margin of upstream products was pulled down slightly by 1.3%.

Change in sales mix and gross profit mix between upstream and downstream segments

During the Year, sales amount and gross profit of high value-added downstream products accounted for approximately 55% (2003: 43%) and 73% (2003: 63%) of the Group's total turnover and gross profit respectively. The overall gross profit percentage thus improved by approximately 1.4% to approximately 38.5% (2003: 37.1%).

Operating expenses, loss of jointly-controlled entity, tax and profit shared by MI

Owing to the increase in overseas sales and transportation cost, the percentage of selling and distribution expenses over turnover increased by approximately 0.7% to 4.8%. In spite of the increase in transportation cost, the percentage of operating expenses over turnover of approximately 8.3% (2003: 8.7%) remained at a similar level as compared to year 2003. Such performance mainly resulted from the continuous and stringent control over other operating expenses, enhancement in operating efficiency arising from expansion. Arising from the acquisition of production plants during the past few years, goodwill, which is amortised over 20 years, amounting to approximately HK$677,000 was amortised during the Year and captured under other operating expenses. The rest of other operating expenses included mainly research and developing expenses.

FINANCIAL PERFORMANCE (continued)

Operating expenses, loss of jointly-controlled entity, tax and profit shared by MI (continued)

To cope with the rapid expansion of the Group's capacity and to maintain a healthy gearing level, interest bearing borrowing was still one of the major financing resources. Among those external borrowings, syndicated loan facilities of US$80 million had been utilised at the end of the Year. In view of a higher borrowing level during the Year, the finance costs, after excluding those capitalised as construction in progress of approximately HK$17 million, increased to approximately HK$28 million (2003: HK$24 million) which represented approximately 1% (2003: 1%) to turnover.

Although the high fructose corn syrup (''HFCS'') joint venture (''HFCS JV'') still recorded an operating loss of which approximately HK$1.5 million was shared by the Group for the Year, slim profit was generated since the last quarter in 2004. It is expected that HFCS JV can improve its performance in the near future.

Most of the Group's companies operate either within economic technological development zones or in open costal areas in the PRC, and are enjoying income tax relief according to relevant income tax laws and regulations. Since the profit arising from the operation of protein lysine, one of the high profit margin products of the Group, was free from income tax in two years commencing from year 2004, the effective tax rate of the Group, as a whole, remained at approximately 6% (2003: 7%).

There has been no material change in the shareholding percentage held by minority shareholder in subsidiaries within the Group, so the profit shared by minority shareholder accounted for approximately 12% (2003: 12%) of the profit after tax.

Increase in net profit attributable to shareholders

Combining the effect of capacity expansion of lysine series, stringent control over operating expenses and finance costs, the net profit attributable to shareholders substantially increased by approximately 57% to HK$815 million.

FINANCIAL RESOURCES AND LIQUIDITY

Placement of shares

In mid October 2004, the Company successfully raised additional net proceeds of approximately HK$830 million through a placement of shares of the Company. It is the intention of the Directors to use such net proceeds for future investment projects including, but not limited to, the building of polyol products production facilities of approximately HK$500 million, the expansion of production capacity of corn refinery of approximately HK$200 million, the remaining balance was used for the general working capital of the Group.

Design and foundation work of a new corn refinery with an annual production capacity of 600,000 metric tonnes in Dehui had been commenced during the Year. The expansion in polyol products production will be carried out upon the satisfactory result from the pilot plant in Changchun.

Acquisition of a Sweetener Plant

In the second half of the Year, the Group acquired 75% interest in Changchun Dihao Foodstuff Development Co., Ltd. (''Changchun Dihao''), of which the principal business is the manufacture and sale of a series of corn sweetener products in the PRC. The consideration amounted to approximately HK$128 million and goodwill of approximately HK$33 million was resulted which would be amortised over 20 years.

Changchun Dihao currently has corn sweetener production capacity of approximately 500,000 metric tonnes per annum and is considered the largest corn sweeteners manufacturer in the PRC. The huge capacity of Changchun Dihao provides effective and efficient vertical integration support to other downstream products production which involves fermentation process such as amino acids, sorbitol and polyol products. The acquisition can in fact accelerate the development of the Group and help Changchun Dihao become the Group's regional production and distribution center of corn sweetener.

In addition, the acquisition provided the Group a great opportunity to further expand its corn sweetener business in terms of capacity and market share and minimise potential competition in the market.

FINANCIAL RESOURCES AND LIQUIDITY (continued)

Structure of interest bearing borrowings

As at 31 December 2004, the Group's interest bearing borrowings amounted to approximately HK$1,610 million (2003: HK$1,133 million), of which 41% (2003: 40%) were denominated in Hong Kong dollars or US dollars while the remainder was denominated in RMB. The average interest rate paid during the Year was 3% (2003: 4%).

The percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years and beyond five years were 59% (31 December 2003: 44%), 40% (31 December 2003: 55%), 1% (31 December 2003: 1%) respectively. The change of repayment pattern was mainly attributable to syndicated loan facilities of US$100 million, of which US$40 million will be repayable during year 2005.

As at 31 December 2004, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$274 million (31 December 2003: HK$280 million).

Net borrowing position

Despite the remarkable profit generated from operation, net proceeds from share placement and proceeds from exercise of share options of approximately HK$815 million, HK$830 million and HK$123 million during the Year respectively, the net borrowing position of approximately HK$367 million (31 December 2003: HK$397 million) as at 31 December 2004 remained at a similar level as compared to 31 December 2003. It resulted mainly from (i) the huge capital expenditure incurred during the Year of approximately HK$1.5 billion and (ii) additional working capital tied up against those expansion projects of the Group.

Capital expenditure

In view of the strong operating results, share placement and the support from external financing resources, the Group accelerated its expansion plan. During the Year, capital expenditure on non-current assets amounted to HK$1.5 billion, which were mainly used for (i) amino acids series in Dehui, (ii) corn processing plant in Jinzhou, (iii) sorbitol project in Changchun, (iv) lysine series in Changchun, (v) acquisition and expansion of a sweetener plant Changchun and (vi) polyol products project in Changchun. The expenditure for these projects amounted to approximately HK$880 million, HK$227 million, HK$59 million, HK$46 million HK$183 million and HK$44 million respectively.

FINANCIAL RESOURCES AND LIQUIDITY (continued)

Turnover days, liquidity ratios and gearing ratios

Same as previous year, the Group adopted the strategy to keep high raw materials level since the harvest seasons (i.e. fourth quarter) in order to avoid the anticipated upward price movement of corn kernels in the second half of 2005. To support additional raw material demand from Jinzhou and Dehui which commenced operation in mid 2004 and early 2005 respectively, a higher inventory level was kept as at year end date and the inventory turnover days and creditors turnover days increased to 115 days (31 December 2003: 91 days) and 26 days (31 December 2003: 23 days) respectively. Due to continuous depression of lysine price since mid 2004 and additional supply from Dehui in early 2005, extensive promotion campaign with longer credit terms granted to customers were carried out in late 2004 in order to stabilise the market condition in coming future. As a result, trade receivables turnover days extended to 86 days (31 December 2003: 72 days).

As a portion of syndicated loan facilities, amounting to US$40 million, was reclassified from long term liabilities in year 2003 to current liabilities in year 2004, current ratio and quick ratio as at 31 December 2004 dropped to 1.8 (31 December 2003: 2.1) and 1.4 (31 December 2003: 1.7) respectively.

Because of the share placement that completed during the Year, the gearing level of the Group improved substantially. Those ratios included (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to equity reduced from 27%, 45% and 16% as at 31 December 2003 to 24%, 39% and 9% as at 31 December 2004 respectively. High interest coverage (i.e. profit from operating activities over finance costs) of 36 times (2003: 28 times) reflected that the leverage level remained healthy.

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 unfavourable exposure to foreign exchange fluctuation and that 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 2004.

PROSPECT

It is the Group's mission to become one of the leading vertically integrated corn based biochemical product manufacturers in the Asian Pacific Region and then a major player around the world. To realise 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.

Lysine Series

The Group strives to become the largest lysine manufacturer in the world in three to five years' time.

In view of the strong growth in global demand for lysine in recent years while over 40% of demand in the PRC currently being met by imports, certain international and domestic lysine producers, showed their intention to expand their lysine production capacity. In the PRC, the annual feed market size is approximately 100 million metric tonnes with a growth rate of 10% while the content of lysine, as feed additive, is around 1.6 kg per metric tonne. If feed production follows the PRC indicative additive proportion of 3 kg per metric tonne, immediate market demand for lysine is approximately 300,000 metric tonnes per annum. Additional demand is expected if feed production follows the indicative additive proportion according to western countries' preferences of 5–8 kg per metric tonne.

In order to capture the rising demand in the global market and to enlarge its market share ahead of others players, the Group has accelerated its development of lysine production capacity. During the Year, a new lysine plant with a production capacity of 120,000 metric tonnes per annum in Dehui had completed while commercial production was commenced in the early 2005. Then, the annual lysine production capacity of the Group reached around 240,000 metric tonnes.

For stabilising the selling price in the PRC, as well as mitigating the risk of over-concentration in a single market and attaining worldwide recognition of its products, the Group also increased its export of lysine to US, Europe and Africa markets. During the Year, over 15,000 metric tonnes lysine and protein lysine were sold to foreign countries other than the PRC, which accounted for over 10% of the Group's production capacity.

Polyol Products Project

Polyol products include ethylene glycol, propylene glycol, glycerin, butanediols and can be used in textile, plastic, construction materials, medical, chemical and cosmetic industries. The end products from polyol products can be used to make polyester fiber, polymer resin and antifreeze chemicals applied in production of coatings, PVC stabilisers, detergents, paint driers, etc.. Traditionally, polyol products are refined from petroleum.

PROSPECT (continued)

Polyol Products Project (continued)

In view of the expected insufficient and expensive supply of petroleum in the foreseeable future, the use of renewable resources as raw material of polyol products becomes the feasible remedy to this issue. In 2003, a joint venture company with overseas partners was established in Changchun which engaged principally in the commercialisation of polyol products. A 20,000 metric tonnes pilot plant was constructed during the Year and trial run had started in the third quarter of 2004. The polyol products are currently sold to antifreeze manufacturers and their quality is well recognised in the industry. The Group began to supply them to the polyester industry in early 2005. The Group is one of the pioneers to commercially produce polyol products by using corn starch as principal raw material.

Based on the results of pilot plant and the Group's preliminary development schedule, a 200,000 metric tonnes annual production capacity plant is expected to be built. Such project will become a new driver for the Group's continuous growth.

Sorbitol Project

Sorbitol is a type of corn sweetener applied to food, pharmaceutical and chemical industries and can be used as raw material for polyol products production.

During the Year, the Group entered into a joint venture agreement with Mitsui to carry out a sorbitol project in the PRC. The project is engaged mainly in the manufacture of sorbitol products in Changchun and sale of these products in the PRC and other regions. Mitsui will act as the worldwide distributor except for the PRC market. The Group holds 51% equity interest of the joint venture and the total investment amounts to US$15 million, which had been injected by joint venture partners according to their respective equity holding percentage. The construction work of the refinery, with an initial annual production capacity of 60,000 metric tonnes, had been commenced and the commercial production of sorbitol is expected to commence in the second half of 2005.

Glutamic Acid Project

In 2003, the Group decided to construct a glutamic acid plant, with an annual capacity of 100,000 metric tonnes, adjacent to Jinzhou plant. However, the Directors considered that the plant constructed near to the coastal region may create serious environmental pollution. Therefore, the Group had re-selected Dehui for the location of this project with the same planned capacity. The construction work was commenced in the third quarter 2004 and it is expected that the trial run will begin in late 2005 or early 2006.

PROSPECT (continued)

HFCS Project

In addition to the existing HFCS joint venture project between the Group and Cargill incorporated (''Cargill'') in Shanghai, a new HFCS plant situated adjacent to Jinzhou corn processing plant is under consideration. It is expected that the project will enjoy lower cost through vertical integration, and significantly reduce transportation cost due to the close proximity to the customers.

EXERCISE OF SHARE OPTIONS

During the Year, 36.8 million ordinary shares of the Company had been subscribed by a wholly owned subsidiary of Cargill pursuant to the exercise of share options granted thereto, from which HK$67 million had been received by the Group. At as 31 December 2004, options granted to that wholly owned subsidiary of Cargill for subscription of approximately 47.4 million shares remained outstanding. If these options are fully exercised, an aggregate amount of approximately HK$105 million would be raised, which can enhance the Group's financial position and provide additional resources to the Group for its future development.

In addition, during the Year, shares options were exercised at a subscription price of HK$1.316 by certain full time employees of the Group pursuant to which 42 million shares had been issued by the Company, from which approximately HK$55 million had been received by the Group.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2004, the Group had approximately 3,000 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 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.

During the Year, no share options had been granted to any staff. As at 31 December 2004, a total of approximately 32 million shares options were outstanding with exercisable period up to August 2011 at an exercise price of HK$1.316 per share.

EXECUTIVE DIRECTORS

LIU Xiaoming aged 50, 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.

XU Zhouwen aged 62, 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.

KONG Zhanpeng aged 41, is one of the founders of the Group. He is in charge of the Group's corporate management, finance and accounting, as well as information technology. He holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

WANG Tieguang aged 39, is responsible for the Group's sales and marketing functions. He holds a bachelor's degree in economics from the University of Heilongjiang.

NON-EXECUTIVE DIRECTORS

Patrick E BOWE aged 46, 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 20 years of experience in corn milling and sweetener operations.

Steven C WELLINGTON (alternate director to Patrick E BOWE) aged 51, is the PRC Business Development Manager of Cargill Sweeteners North America and is responsible for the development of corn milling exports and investment opportunities in the PRC. He is the director of Global Bio-chem-Cargill (Holdings) Limited, a jointly-controlled entity established by the Group and Cargill.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 44, 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 18 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently a member of the Advisory Committee on Travel Agents.

LI Defa aged 50, 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 Center.

CHAN Man Hon, Eric aged 48, is a solicitor and has been practising in Hong Kong for over 23 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.

SENIOR MANAGEMENT

AU Chun Fat aged 62, is one of the founders of the Group and is currently the senior counsellor of the Group, assisting the board in strategic planning as well as business development and diversification. Prior to founding the Group, Mr. Au accumulated over 13 years' management experience in various companies which engaged in the trading of machinery and equipment in Hong Kong and the PRC.

CHEUNG Chak Fung aged 40, is the financial controller of the Group and the company secretary of the Company. He is an associate member of The Association of Chartered Certified Accountants. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. He has over 15 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial practice.

SENIOR MANAGEMENT (continued)

LI Weigang aged 46, 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 May 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 38, 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 8 years' experience in process engineering and technology development.

JIN Zhihui aged 51, graduated from the Jilin Shulan Ministry of Mining Employee University. Prior to joining the Group as project manager for sweetener operations in January 2002, he has accumulated over 25 years of working experience, including 20 years in senior positions in biochemical and pharmaceutical industries.

WANG Guicheng aged 37, is the general manager of Jinzhou Yuancheng Bio-chem Technology Co., Ltd. He graduated from the Jilin Grain High College for Professional Training, specialising in storage and analysis.

PON Intranual aged 64, has over 42 years of professional experience. He joined the Group in 1998 and now acts as chief engineer specialising in lysine culture, fermentation and refining techniques.

WANG Hui aged 39, is the director of modified starch enterprise of the Group. He graduated from the Qiqihaer University with a bachelor's degree in chemical engineering specialising in high polymer material engineering.

ZHENG Guichen aged 43, is the general manager of Changchun Jincheng Corn Development Co., Ltd. He graduated from the Jilin Grain High College for Professional Training, specialising in food engineering.

CHU Lalin aged 42, 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.

SENIOR MANAGEMENT (continued)

WANG Dehui aged 36, 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.

ZHONG Jiemin aged 52, is the chief engineer of modified starch operation of the Group. He graduated from the faculty of biology at Taiwan Tunghai University. He has 21 years of experience in the production of modified starch.

WANG Jibin aged 33, is the engineer for chemical polyol projects, and has extensive experience in chemical polyol production.

LEE Chi Yung aged 30, is the finance manager of the Group. He holds a bachelor's degree in business administration from the City University of Hong Kong. He is an associate member of the Hong Kong Society of Accountants and also of The Association of Chartered Certified Accountants.

WANG Dongsheng aged 42, holds a bachelor's degree in chemical engineering from the Jilin Chemical Engineering Academy. Prior to joining the Group as chief supervisor and modified starch design manager in May 2001, he has accumulated 19 years of working experience in production management of chemical engineering projects.

ZHOU Hongquan aged 66, is the chief engineer with organic chemical specialty. He graduated from Shenyang Institute of Chemical Technology, majoring in organic synthesis. He has 31 years of experience in managing production.

ZHANG Xiuzhen aged 60, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC.

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 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 16 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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 97.

An interim dividend of HK2.5 cents per ordinary share was paid on 5 November 2004. The directors recommend the payment of a final dividend of HK5.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 18 May 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results and of the assets, liabilities and minority interests of the Group for the five years ended 31 December 2004, which have been extracted from the respective published audited financial statements.

Results

	Year ended 31 December				
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**3,375,593**	2,329,819	1,657,312	1,385,808	1,208,026
PROFIT FROM OPERATING ACTIVITIES	**1,018,800**	662,371	512,064	439,625	316,683
Finance costs	**(28,029)**	(23,873)	(14,556)	(34,495)	(35,947)
Share of losses of jointly-controlled entities	**(1,479)**	(2,244)	(1,691)	(506)	—
PROFIT BEFORE TAX	**989,292**	636,254	495,817	404,624	280,736
Tax	**(58,482)**	(42,914)	(35,615)	(23,234)	(14,227)
PROFIT BEFORE MINORITY INTERESTS	**930,810**	593,340	460,202	381,390	266,509
Minority interests	**(115,359)**	(72,568)	(55,107)	(51,312)	(36,341)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**815,451**	520,772	405,095	330,078	230,168

SUMMARY FINANCIAL INFORMATION (continued)

Assets, Liabilities and Minority Interests

	At 31 December				
	2004	2003	2002	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**4,004,094**	2,572,285	1,604,800	1,150,053	694,295
CURRENT ASSETS	**2,840,790**	1,656,158	1,128,298	878,522	499,306
TOTAL ASSETS	**6,844,884**	4,228,443	2,733,098	2,028,575	1,193,601
CURRENT LIABILITIES	**1,552,936**	780,309	547,422	343,361	357,453
NON-CURRENT LIABILITIES	**668,053**	634,645	130,889	58,826	296,729
TOTAL LIABILITIES	**2,220,989**	1,414,954	678,311	402,187	654,182
MINORITY INTERESTS	**463,741**	316,829	200,703	202,340	172,382
NET ASSETS	**4,160,154**	2,496,660	1,854,084	1,424,048	367,037

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 26 and 27 to the financial statements, respectively.

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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Cap 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$2,097,659,000, of which approximately HK$111,949,000 had been proposed as a final dividend for the year. The amount of approximately HK$1,968,013,000 standing to the credit of the share premium account of the Company as at 31 December 2004 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 also be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$9,346,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover for the Year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, 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
Kong Zhanpeng
Wang Tieguang

Non-executive directors:
Patrick E. Bowe
Steven C. Wellington (alternate non-executive director to Patrick E. Bowe)

Independent non-executive directors:
Lee Yuen Kwong
Chan Man Hon, Eric
Li Defa (appointed on 16 September 2004)

In accordance with the Company's articles of association, Mr. Kong Zhanpeng and Mr. Wang Tieguang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Furthermore, Mr. Li Defa, who has been appointed as an additional director of the Company during the year, will hold offer only until the forthcoming annual general meeting according to the Company's articles of association and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Two of the independent non-executive directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric, are appointed for a term of two years commencing on 1 March 2003. One of the independent non-executive directors, Mr. Li Defa, is appointed for a term of two years commencing on 15 September 2004.

The Company has received annual confirmations of independence from Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa who consider themselves to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Xiaoming, Mr. Kong Zhanpeng, Mr. Wang Tieguang and Mr. Xu Zhouwen have renewed the service contracts with the Company for a term of three years which commencing on 1 March 2004, and is subject to termination by either party giving not less than three months' notice in writing.

Apart from the foregoing, no director of the Company 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. Details of the directors' fees are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the annual report, no director of the Company 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the interests and short positions of the directors and chief executive of the Company 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 (the "Model Code"), as set out in appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
Name of director	Notes	Directly beneficially owned	Through controlled corporation	Total	
Mr. Liu Xiaoming	1	8,890,400	345,600,000	354,490,400	15.8
Mr. Xu Zhouwen	2	—	211,040,000	211,040,000	9.4
Mr. Kong Zhanpeng	3	8,294,400	172,800,000	181,094,400	8.1
Mr. Wang Tieguang	4	4,147,200	172,800,000	176,947,200	7.9
		21,332,000	902,240,000	923,572,000	41.2

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Warrants of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Liu Xiaoming	1	2,361,300	43,200,000	45,561,300	2.0
Mr. Xu Zhouwen	2	1,250,000	26,380,000	27,630,000	1.2
Mr. Kong Zhanpeng	3	2,286,800	21,600,000	23,886,800	1.1
Mr. Wang Tieguang	4	1,768,400	21,600,000	23,368,400	1.1
		7,666,500	112,780,000	120,446,500	5.4

The interests of the directors of the Company in the share options of the Company are separately disclosed in note 27 to the financial statements.

Notes:

1. 345,600,000 shares are owned by and 43,200,000 warrants were issued to 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. 211,040,000 shares are owned by and 26,380,000 warrants were issued to 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. 172,800,000 shares are owned by and 21,600,000 warrants were issued to 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.

4. 172,800,000 shares are owned by and 21,600,000 warrants were issued to 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.

Save as disclosed above, as at 31 December 2004, none of the directors of the Company had registered an interest or short position in the shares or underlying shares 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" in the share option scheme disclosures in note 27 to the financial statements, 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 spouse or minor children, 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 of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of Company:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
LXM Limited	1	345,600,000	15.4%
Crown Asia Profits Limited	2	211,040,000	9.4%
FMR Corp		204,462,450	9.1%
Fidelity Management & Research Company		199,076,550	8.9%
J.P. Morgan Chase & Co		187,830,021	8.4%
Hartington Profits Limited	3	172,800,000	7.7%
Rich Mark Profits Limited	4	172,800,000	7.7%
J.P. Morgan Fleming Asset Management (Asia) Inc.		157,189,400	7.0%
J.P. Morgan Fleming Asset Management Holdings Inc.		157,189,400	7.0%
JF Asset Management Limited		141,536,150	6.3%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in ordinary shares of Company: (continued)

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 executive director of the Company.

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, as at 31 December 2004, 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 registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Related party transactions, which fall within the definition stipulated in the Hong Kong Statement of Standard Accounting Practice No. 20 ("SSAP 20") on "Related party disclosures", undertaken by the Group during the year are set out in note 33 to the financial statements. The transactions included in note 33 to the financial statements also constitute connected transactions as defined under the Listing Rules.

During the year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions

On 9 February 2004, Mitsui & Co., Ltd. and its subsidiaries (collectively "Mitsui Group") and one of the wholly owned subsidiaries of the Company as purchasers entered into a provisional land acquisition agreement with Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial") as vendor for the purchase of a piece of land (the "Purchase Transaction") which was to be used for the construction of a plant for the production of sorbitol products by Changchun Dacheng Nikken Polyols Co., Ltd. ("Dacheng Nikken"), one of the subsidiaries of the Company. Pursuant to the said provisional agreement, a formal agreement for the Purchase Transaction was entered into between Dacheng Nikken and Dacheng Industrial on 30 March 2005 pursuant to which Dacheng Nikken acquired the relevant piece of land at a cash consideration of approximately RMB17 million (equivalent to approximately HK$ 16 million). Dacheng Industrial is a substantial shareholder of certain subsidiaries of the Company and the Purchase Transaction constitutes a connected transaction under the Listing Rules.

The Mitsui Group is one of the Group's customers and the Group has been selling its products to the Mitsui Group since 2000. During the year ended 31 December 2004, the Group had sold some of its products to the Mitsui Group in its ordinary and usual course of business for an aggregate sum of approximately HK$12 million. Mitsui & Co., Ltd., together with its subsidiaries, hold in aggregate 49% interest in the share capital of one of the subsidiaries of the Company and is a substantial shareholder of one of the subsidiaries of the Company. The above sale transactions (the "Continuing Connected Transactions") constituted continuing connected transactions under the Listing Rules.

The independent non-executive directors of the Company have reviewed and confirmed that the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and (iv) the aggregate consideration charged by the Group in respect of the Continuing Connected Transactions during the year had not exceed the cap amount of the higher of either HK$10 million or 3% of the latest consolidated audited net tangible assets of the Group as at 31 December 2004. The auditors of the Company have confirmed that the Continuing Connected Transactions have complied with the matters as set out in Rule 14A.38 of the Listing Rules.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

Save as disclosed therein, there were no other transactions needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DISCLOSURES PURSUANT TO RULES 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 the Company's syndicated loan facility, which contains covenants requiring performance obligations of the controlling shareholders of the Company.

Pursuant to a syndicated loan facility agreement dated 22 September 2003 entered into between the Company and a syndicate of banks and financial institutions, relating to a 36 month term loan facility of US$80,000,000 and a 35 month revolving loan facility of US$20,000,000, a termination event would arise if Mr. Au Chun Fat, one of the founders who is also an ex-director of the Company, and the existing directors of the Company, cease to own beneficially, directly or indirectly, at least 40% of the shares in the Company's issued share capital.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN 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.

CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules which were in force during the year, throughout the accounting period covered by the annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. Two audit committee meetings were held during the year prior to the date of this report.

AUDITORS

Ernst & Young will 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

Hong Kong
12 April 2005

ERNST & YOUNG
安 永 會 計 師 事 務 所

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

We have audited the financial statements on pages 37 to 97 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
12 April 2005

Consolidated Profit and Loss Account

Year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
TURNOVER	4	**3,375,593**	2,329,819
Cost of sales		**(2,076,258)**	(1,464,861)
Gross profit		**1,299,335**	864,958
Other revenue	4	**23,013**	15,809
Selling and distribution costs		**(160,554)**	(94,482)
Administrative expenses		**(115,940)**	(95,456)
Other operating expenses		**(27,054)**	(28,458)
PROFIT FROM OPERATING ACTIVITIES	6	**1,018,800**	662,371
Finance costs	8	**(28,029)**	(23,873)
Share of losses of jointly-controlled entities		**(1,479)**	(2,244)
PROFIT BEFORE TAX		**989,292**	636,254
Tax	9	**(58,482)**	(42,914)
PROFIT BEFORE MINORITY INTERESTS		**930,810**	593,340
Minority interests		**(115,359)**	(72,568)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10	**815,451**	520,772
DIVIDENDS	11		
Interim		**54,144**	40,510
Proposed final		**111,949**	50,255
		166,093	90,765
EARNINGS PER SHARE	12		
Basic		**HK$0.389**	HK$0.265
Diluted		**HK$0.384**	HK$0.255

Consolidated Balance Sheet

31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSETS			
Fixed assets	13	**3,759,807**	2,401,267
Deposits paid for acquisition of fixed assets		**97,188**	101,861
Goodwill	14	**45,362**	13,200
Interests in jointly-controlled entities	15	**95,709**	46,312
Long term prepayment	17	**6,028**	9,645
		4,004,094	2,572,285
CURRENT ASSETS			
Inventories	18	**655,228**	366,881
Trade receivables	19	**798,774**	461,086
Prepayments, deposits and other receivables		**133,505**	86,274
Due from jointly-controlled entities	15	**6,809**	—
Tax recoverable	9	**3,333**	5,846
Cash and cash equivalents	20	**1,243,141**	736,071
		2,840,790	1,656,158
CURRENT LIABILITIES			
Interest-bearing bank and other loans	22, 23	**957,989**	514,549
Trade payables	21	**150,702**	92,394
Other payables and accruals		**384,096**	157,313
Due to minority shareholders	24	**47,171**	8,395
Tax payable		**12,978**	7,658
		1,552,936	780,309
NET CURRENT ASSETS		**1,287,854**	875,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,291,948**	3,448,134

31 December 2004

	Notes	**2004 HK$'000**	2003 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	22, 23	**651,705**	618,297
Deferred tax liability	25	**16,348**	16,348
		668,053	634,645
MINORITY INTERESTS	24	**463,741**	316,829
		4,160,154	2,496,660
CAPITAL AND RESERVES			
Issued capital	26	**223,899**	201,019
Reserves	28	**3,824,306**	2,245,386
Proposed final dividend	11	**111,949**	50,255
		4,160,154	2,496,660

Liu Xiaoming
Director

Xu Zhouwen
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Total equity at 1 January		**2,496,660**	1,854,084
Surplus on revaluation of leasehold land and buildings	28	**—**	108,752
Deferred tax liability arising from revaluation of leasehold land and buildings	25	**—**	(16,348)
Surplus on revaluation of leasehold land and buildings, shared by minority shareholders	28	**—**	(13,181)
Net gains not recognised in the profit and loss account		**—**	79,223
Prior year final dividend paid	11	**(50,255)**	(38,634)
Net profit from ordinary activities attributable to shareholders		**815,451**	520,772
Interim dividend paid	11	**(54,144)**	(40,510)
Issue of shares, including share premium	26	**952,442**	121,725
Total equity at 31 December		**4,160,154**	2,496,660

Consolidated Cash Flow Statement

Year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**989,292**	636,254
Adjustments for:			
Finance costs	8	**28,029**	23,873
Share of losses of jointly-controlled entities		**1,479**	2,244
Loss/(gain) on disposal of fixed assets	6	**4,124**	(424)
Depreciation	6	**122,144**	88,767
Goodwill amortisation	6	**677**	338
Interest income	4	**(3,835)**	(1,720)
Operating profit before working capital changes		**1,141,910**	749,332
Increase in inventories		**(275,446)**	(108,478)
Increase in trade receivables		**(326,078)**	(77,800)
Increase in prepayments, deposits and other receivables		**(37,764)**	(30,200)
Increase in trade payables		**30,455**	32,245
Increase in other payables and accruals		**219,992**	30,590
Cash generated from operations		**753,069**	595,689
Interest received		**3,835**	1,720
Hong Kong profits tax paid		**—**	(35)
Overseas taxes paid		**(50,999)**	(60,638)
Net cash inflow from operating activities		**705,905**	536,736
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for acquisition of fixed assets		**(97,188)**	(10,742)
Purchases of fixed assets		**(1,263,441)**	(671,142)
Proceeds from disposal of fixed assets		**1,692**	7,784
Acquisition of a subsidiary	29	**(93,387)**	(46,506)
Investment in a jointly-controlled entity		**(59,288)**	—
Repayments from/(advances to) jointly-controlled entities		**1,603**	(5,971)
Net cash outflow from investing activities		**(1,510,009)**	(726,577)

Consolidated Cash Flow Statement (continued)

Year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Related fees paid for the banking facilities granted	17	**—**	(10,850)
Inception of new bank loans		**685,677**	1,022,980
Repayment of bank loans		**(211,105)**	(456,015)
Inception of other loans		**11,215**	—
Repayment of other loans		**(20,247)**	(31,403)
Advances from/(repayments to) minority shareholders		**38,776**	(6,537)
Capital contribution from minority shareholders of subsidiaries		**—**	33,347
Proceeds from exercise of share options	26	**122,616**	88,158
Proceeds from exercise of warrants	26	**15**	—
Proceeds from public offer and share placement	26	**855,000**	—
Share issue expenses	26	**(25,189)**	—
Interest paid	8	**(41,185)**	(35,161)
Dividends paid		**(104,399)**	(79,144)
Dividends paid to minority shareholders		**—**	(32,430)
Net cash inflow from financing activities		**1,311,174**	492,945
NET INCREASE IN CASH AND CASH EQUIVALENTS		**507,070**	303,104
Cash and cash equivalents at beginning of year		**736,071**	432,967
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,243,141**	736,071
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**755,979**	658,481
Non-pledged time deposits with original maturity of less than three months when acquired	20	**487,162**	77,590
		1,243,141	736,071

Balance Sheet

31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**287,937**	287,937
Long term prepayment	17	**6,028**	9,645
		293,965	297,582
CURRENT ASSETS			
Prepayments, deposits and other receivables		**2,390**	—
Due from subsidiaries	16	**2,207,337**	1,358,663
Cash and cash equivalents	20	**452,577**	99,131
		2,662,304	1,457,794
CURRENT LIABILITIES			
Other payables and accruals		**14,711**	14,742
Interest-bearing bank loans	22, 23	**310,000**	—
		324,711	14,742
NET CURRENT ASSETS		**2,337,593**	1,443,052
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,631,558**	1,740,634
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	22, 23	**310,000**	387,500
		2,321,558	1,353,134
CAPITAL AND RESERVES			
Issued capital	26	**223,899**	201,019
Reserves	28	**1,985,710**	1,101,860
Proposed final dividend	11	**111,949**	50,255
		2,321,558	1,353,134

Liu Xiaoming
Director

Xu Zhouwen
Director

1. CORPORATE INFORMATION

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies. 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 and corn based biochemical products. There were no changes in the nature of the Group's principal activities during the year.

2. IMPACT OF RECENTLY ISSUED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

SSAP 36 "Agriculture" is effective for the first time for the current year's financial statements which prescribes the accounting treatment, financial statement presentation and disclosures relating to agricultural activity. Agricultural activity comprises an entity's management of the biological transformation of living animals or plants (biological assets) for sale, into either agricultural produce or into additional biological assets. This new SSAP has had no significant impact for the preparation of the consolidated financial statements.

In addition, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 the periodic remeasurement of certain fixed assets as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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; and

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 deducted from the carrying amount of the asset.

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits 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 the profit and loss account 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 the People's Republic of China (the "PRC") are required to participate in the retirement benefits schemes (the "PRC RB Schemes") operated by the respective local municipal government in provinces of the PRC 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 the profit and loss account as they become payable in accordance with the rules of the PRC RB Schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share option scheme

The Company operates a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the SO Scheme is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Dividends

Final dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders of the Company in a general meeting. When these dividends have been approved by the shareholders of the Company and declared, they are recognised as a liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends (continued)

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors of the Company the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed assets 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 profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed assets 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 asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	The shorter of the lease terms and 50 years
Plant and machinery	15 years
Leasehold improvements, furniture, office equipment and motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Construction in progress represents leasehold buildings, plant and leasehold improvements 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 fixed assets when completed and ready for use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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 recognised as expenses in the period in which they are incurred.

Subsidiaries

A subsidiary is a company 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 profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

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 company'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 company is treated as:

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

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

(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 company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which 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 share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. 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 based on a normal level of operating activities. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or 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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except 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 assets 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 assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or 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

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in 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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 at the balance sheet date.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences on borrowings relating to the development of qualifying assets are capitalised during the development period. All other exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, 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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. 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 balance sheet date 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 profit and loss account.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which 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 balance sheet, 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.

4. TURNOVER AND REVENUE

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

An analysis of turnover and other revenue and gains is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Turnover		
Sale of goods	**3,375,593**	2,329,819
Other revenue		
Interest income	**3,835**	1,720
Net profit arising on sales packing materials and by-products	**15,914**	9,436
Sale of utility	**1,417**	3,620
Others	**1,847**	1,033
	23,013	15,809

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they 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 the other business segments. Summary details of the business segments are as follows:

(a) the corn refined products segment comprises the manufacture and sale of corn starch, corn gluten, corn oil and feed; and

(b) the corn based biochemical products segment comprises the manufacture and sale of modified starch, corn sweeteners, amino acids and polyol products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers. Summary details of the geographical segments for revenues are as disclosed below.

Intersegment sales and transfers are transacted with reference to either the selling prices used for sales made to third parties at the then prevailing market prices or at cost plus mark-up basis which is determined by the management.

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2004 and 2003.

Group

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Segment revenue:								
Sales to external customers	**1,530,662**	1,330,771	**1,844,931**	999,048	**—**	—	**3,375,593**	2,329,819
Intersegment sales	**589,429**	369,479	**—**	63,088	**(589,429)**	(432,567)	**—**	—
Total revenue	**2,120,091**	1,700,250	**1,844,931**	1,062,136	**(589,429)**	(432,567)	**3,375,593**	2,329,819
Segment results	**344,752**	302,338	**702,705**	350,570	**—**	—	**1,047,457**	652,908
Unallocated revenue							**23,013**	15,809
Unallocated expenses							**(51,670)**	(6,346)
Profit from operating activities							**1,018,800**	662,371
Finance costs							**(28,029)**	(23,873)
Share of losses of jointly-controlled entities							**(1,479)**	(2,244)
Profit before tax							**989,292**	636,254
Tax							**(58,482)**	(42,914)
Profit before minority interests							**930,810**	593,340
Minority interests							**(115,359)**	(72,568)
Net profit from ordinary activities attributable to shareholders							**815,451**	520,772

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group (continued)

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,790,739**	2,338,274	**3,442,568**	1,723,430	**—**	—	**6,233,307**	4,061,704
Interests in jointly-controlled entities							**95,709**	46,312
Unallocated assets							**515,868**	120,427
Total assets							**6,844,884**	4,228,443
Segment liabilities	**248,786**	158,975	**244,819**	93,998	**—**	—	**493,605**	252,973
Unallocated liabilities							**1,727,384**	1,161,981
Total liabilities							**2,220,989**	1,414,954
Other segment information:								
Capital expenditure	**281,301**	174,927	**1,100,774**	540,469	**—**	—	**1,382,075**	715,396
Depreciation	**64,678**	54,013	**57,466**	34,754	**—**	—	**122,144**	88,767
Amortisation of goodwill	**677**	338	**—**	—	**—**	—	**677**	338

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and expenditure information for the Group's geographical segments.

Group

	Mainland China		Countries other than Mainland China		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**2,908,317**	2,168,814	**467,276**	161,005	**—**	—	**3,375,593**	2,329,819
Other segment information:								
Capital expenditure	**1,382,075**	715,396	**—**	—	**—**	—	**1,382,075**	715,396
Depreciation	**122,144**	88,767	**—**	—	**—**	—	**122,144**	88,767
Amortisation of goodwill	**677**	338	**—**	—	**—**	—	**677**	338

6. PROFIT FROM OPERATING ACTIVITIES

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

	2004 HK$'000	2003 HK$'000
Cost of inventories sold	**2,112,198**	1,425,671
Depreciation (note 13)	**122,144**	88,767
Amortisation of goodwill (note 14)*	**677**	338
Amortisation of fees incurred for the granting of banking facilities (note 17)**	**3,617**	1,205
Staff costs (excluding directors' remuneration — note 7):		
Wages and salaries	**52,387**	43,164
Performance related bonuses	**—**	6,750
Pension scheme contributions	**177**	246
	52,564	50,160
Auditors' remuneration	**3,000**	2,150
Research and development costs	**14,332**	20,408
Loss/(gain) on disposal of fixed assets	**4,124**	(424)

* The amortisation of goodwill for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

** The amortisation of fees incurred for the granting of banking facilities for the year are included in "Finance costs" on the face of the consolidated profit and loss account.

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors of the Company for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Fees	**690**	600
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**10,290**	11,097
Performance related bonuses	**16,309**	10,600
Pension scheme contributions	**48**	48
	26,647	21,745
	27,337	22,345

The fees were payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors of the Company during the year (2003: Nil).

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, 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 2004, the aggregate amount of the bonuses payable to the executive directors is equivalent to 2% (2003: 2%) of the net profit from ordinary activities attributable to shareholders.

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	2004 Number of directors	2003 Number of directors
Nil–HK$1,000,000	**5**	4
HK$5,000,001–HK$5,500,000	**—**	2
HK$5,500,001–HK$6,000,000	**2**	2
HK$7,500,001–HK$8,000,000	**2**	—
	9	8

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

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Details of the share options exercised by the directors and employees are disclosed in note 27 to the financial statements.

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid employees during the year include four (2003: four) directors, details of whose remuneration are disclosed above. Details of the remuneration of the remaining (2003: one) non-director, highest paid employee for the year, are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Basic salary, housing benefits, other allowances and benefits in kind	**1,200**	884
Performance related bonuses	**—**	1,350
Pension scheme contributions	**—**	12
	1,200	2,246

8. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	HK$'000
Interest on bank loans:		
Interest on trust receipt loans, secured	**45**	5
Wholly repayable within five years	**40,927**	34,798
Repayable beyond five years	**213**	358
	41,185	35,161
Amortisation of fees incurred for the granting of banking facilities (note 6)	**3,617**	1,205
	44,802	36,366
Less: Interest capitalised	**(16,773)**	(12,493)
	28,029	23,873

The interest capitalised during the year was calculated at a rate of approximately 1.7% (2003: 4.0%) per annum.

9. TAX

	Group	
	2004	2003
	HK$'000	HK$'000
Hong Kong:		
Underprovision in the prior year	**—**	35
Elsewhere:		
Current	**64,688**	42,879
Tax rebate	**(6,206)**	—
Tax charge for the year	**58,482**	42,914

No provision for Hong Kong profits tax has been made as the Group had tax losses brought forward from prior years to offset against the assessable profit arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during that year.

Taxes on profits assessable elsewhere are 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 People's Republic of China (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 year, two of the Group's PRC subsidiaries were granted a 33% relief from income tax for three years ending 31 December 2006. Accordingly, taxes on the assessable profits of these two PRC subsidiaries had been calculated at a lower applicable rate of tax during the year.

One of the Group's PRC subsidiaries was granted an extension of a 50% relief from income tax for one more year up to 31 December 2004. Accordingly, taxes on the assessable profits of this PRC subsidiary had been calculated at 50% of the applicable rates of tax prevailing in the PRC during the year.

9. TAX (continued)

Taxes on the assessable profits of another four PRC subsidiaries had been calculated at 50% of the applicable rates of tax prevailing in the PRC during the year, as their periods of exemption from income tax have not yet expired.

No provision for income tax has been made for two of the Group's PRC subsidiaries as it remains exempt from income tax for the first profitable year of its operations.

The remaining four PRC subsidiaries of the Group have not made any provision for income tax as they did not generate any assessable profits for the year.

During the year, certain of the above PRC subsidiaries were entitled to a tax rebate for corporate income tax because these PRC subsidiaries had fulfilled certain conditions for fixed assets expenditures as required by the relevant PRC tax authorities. Such tax rebate was credited to the profit and loss account for the year.

9. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries and jointly-controlled entities 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 — 2004

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	97,643		891,649		989,292	
Tax at the statutory tax rate	17,088	17.5	294,244	33.0	311,332	31.5
Preferential statutory tax rate offered*	—	—	(139,850)	(15.7)	(139,850)	(14.1)
Lower tax rate for tax relief granted	—	—	(92,324)	(10.3)	(92,324)	(9.4)
Tax rebate	—	—	(6,206)	(0.7)	(6,206)	(0.6)
Income not subject to tax	(13,314)	(13.6)	—	—	(13,314)	(1.4)
Expenses not deductible for tax	419	0.4	2,831	0.3	3,250	0.3
Tax losses utilised from previous periods	(3,893)	(4.0)	—	—	(3,893)	(0.4)
Others	(300)	(0.3)	(213)	(0.02)	(513)	(0.05)
Tax charge at the Group's effective rate	—	—	58,482	6.6	58,482	5.9

9. TAX (continued)

Group — 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(56,507)		692,761		636,254	
Tax at the statutory tax rate	(9,888)	17.5	228,611	33.0	218,723	34.4
Preferential statutory tax rate offered*	—	—	(121,262)	(17.5)	(121,262)	(19.1)
Lower tax rate for tax relief granted	—	—	(61,554)	(8.9)	(61,554)	(9.7)
Income not subject to tax	(136)	0.2	(4,123)	(0.6)	(4,259)	(0.7)
Expenses not deductible for tax	9,546	(16.9)	1,320	0.2	10,866	1.7
Underprovision in the prior year	35	(0.1)	—	—	35	—
Increase in tax losses carried forward	322	(0.5)	—	—	322	0.1
Others	156	(0.3)	(113)	—	43	—
Tax charge at the Group's effective rate	35	(0.1)	42,879	6.2	42,914	6.7

Tax recoverable represents excess of tax payment over estimated tax liabilities or receivables on last year's rebate entitled by the group.

* Under the PRC income tax law, enterprises are subject to corporate income tax (''CIT'') at a rate of 33%. However, certain of the Group's PRC subsidiaries are operating in specific development zones of Mainland China and have been granted as high-technology corporations in Mainland China, and the relevant tax authorities have granted the enterprises a preferential CIT rate of 15% and 10%, respectively. CIT is payable based on the taxable income as reported in the statutory accounts which are prepared in accordance with PRC accounting regulations.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was approximately HK$120,381,000 (2003: HK$126,474,000) (note 28).

11. DIVIDENDS

	2004 HK$'000	2003 HK$'000
Interim — HK2.5 cents (2003: HK2.0 cents) per ordinary share	**54,144**	40,510
Proposed final — HK5.0 cents (2003: HK2.5 cents) per ordinary share	**111,949**	50,255
	166,093	90,765

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and is calculated based on the number of shares issued by the Company at the balance sheet date. The subsequent issuance of shares by the Company up to the close of the registered date for the entitlement of a final dividend, if any, has therefore not been taken into account for the above appropriation of a final dividend.

12. 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 year of approximately HK$815,451,000 (2003: HK$520,772,000), and the weighted average number of 2,098,801,983 (2003: 1,963,138,555) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$815,451,000 (2003: HK$520,772,000) and on 2,124,158,672 (2003: 2,038,370,758) ordinary shares, being the weighted average number of 2,098,801,983 (2003: 1,963,138,555) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 25,356,689 (2003: 75,232,203) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year. In addition, as the exercise price of the warrants was higher than the average market price of the Company's ordinary shares during the year, no shares were assumed to have been issued on deemed exercise of the Company's warrants during the year.

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2004	649,100	745,663	1,209,071	39,221	2,643,055
Additions	9,870	1,252,368	107,204	12,633	1,382,075
Acquisition of a subsidiary (note 29)	61,789	5,552	36,169	915	104,425
Disposals	(481)	—	(2,200)	(9,385)	(12,066)
Transfers	469,901	(977,622)	507,721	—	—
At 31 December 2004	1,190,179	1,025,961	1,857,965	43,384	4,117,489
Analysis of cost or valuation:					
At cost	541,079	1,025,961	1,857,965	43,384	3,468,389
At 2003 valuation	649,100	—	—	—	649,100
	1,190,179	1,025,961	1,857,965	43,384	4,117,489
Accumulated depreciation:					
At 1 January 2004	—	—	219,933	21,855	241,788
Provided during the year	16,679	—	99,084	6,381	122,144
Disposals	—	—	(414)	(5,836)	(6,250)
At 31 December 2004	16,679	—	318,603	22,400	357,682
Net book value:					
At 31 December 2004	1,173,500	1,025,961	1,539,362	20,984	3,759,807
At 31 December 2003	649,100	745,663	989,138	17,366	2,401,267

13. FIXED ASSETS (continued)

The Group's leasehold land and buildings included above are held under the following lease terms:

	Group	
	2004	2003
	HK$'000	HK$'000
At cost or valuation:		
Medium term leases in Hong Kong	**24,500**	25,000
Medium term leases outside Hong Kong	**1,165,679**	624,100
	1,190,179	649,100

At 31 December 2003, the Group's leasehold land and buildings in Hong Kong were revalued on an open market basis by Chesterton Petty Limited, an independent firm of professionally qualified valuers, at approximately HK$25,000,000. A surplus on revaluation of approximately HK$1,480,000 arising from the above valuation had been credited to the fixed assets revaluation reserve during the year ended 31 December 2003.

At 31 December 2003, the Group's leasehold land and buildings outside Hong Kong were revalued on a depreciated replacement cost basis, by Chesterton Petty Limited, at approximately HK$624,100,000. A surplus on revaluation of approximately HK$107,272,000 arising from the above valuation had been credited to the fixed assets revaluation reserve during the year ended 31 December 2003.

In the opinion of the directors, there were no material differences between the carrying value and the open market value of the Group's leasehold land and buildings as at 31 December 2004 and, accordingly, no revaluation has been performed as at that date.

Had the Group's leasehold land and buildings held in Hong Kong been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$22,874,000 (2003: HK$23,371,000).

13. FIXED ASSETS (continued)

Had the Group's leasehold land and buildings held outside Hong Kong (including those acquired during the year) been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$956,763,000 (2003: HK$507,023,000).

Prior to its transfer to other categories of fixed assets, the carrying amount of construction in progress included capitalised interest of approximately HK$29,266,000 (2003: HK$12,493,000).

Included in total cost of construction in progress at 31 December 2004 are assets acquired in 2004 for which a government grant of HK$6,112,000 was received and deducted from its costs in arriving at its carrying amount. The original costs of that asset before the deduction of the grant amounted to HK$224,685,000.

At 31 December 2004, certain leasehold land and buildings of the Group with a carrying value of approximately HK$150,555,000 (2003: HK$141,971,000) and certain plant and machinery of the Group with an aggregate net book value of approximately HK$123,150,000 (2003: HK$138,190,000) were pledged to secure banking facilities granted to the Group (note 23).

Included in the balances of the Group are building structures on lands with net book value of approximately HK$7,730,000 (2003: Nil) in respect of which the Group did not obtain the relevant land use rights as at 31 December 2004.

14. GOODWILL

The amounts of the goodwill capitalised as an asset arising from the acquisition of a subsidiary, are as follows:

	Group HK$'000
Cost:	
At 1 January 2004	13,538
Acquisition of a subsidiary (note 29)	32,839
At 31 December 2004	46,377
Accumulated amortisation:	
At 1 January 2004	338
Provided during the year	677
At 31 December 2004	1,015
Net book value:	
At 31 December 2004	45,362
At 31 December 2003	13,200

Pursuant to the sale and purchase agreement dated 23 September 2004, the Group acquired a 75% equity interest in Changchun Dihao Foodstuff Development Co., Ltd. (``Dihao Foodstuff'') for a consideration of HK$127,500,000, which was satisfied by cash. Further details of the acquisition are set out in notes 16 and 29 to the financial statements.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets/(liabilities)	**55,709**	(2,100)
Long term loan advanced to jointly-controlled entities	**40,000**	40,000
	95,709	37,900
Long term balance due from jointly-controlled entities	**—**	8,412
	95,709	46,312
Short term balance due from jointly-controlled entities	**6,809**	—

The long term loan of HK$40 million advanced to the jointly-controlled entities is equity in nature and is regarded as an investment made thereto. This 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 entities, whenever is earlier.

The amount due from the jointly-controlled entities is unsecured, interest-free and repayable on demand. As at 31 December 2003, the amount due was not repayable within 12 months from the balance sheet date and was classified as non-current assets accordingly.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited	Corporate	Hong Kong	HK$1,000	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd.	Corporate	Mainland China	US$3,000,000	50	50	Manufacture and sale of high fructose corn syrup
Global-Nikken (H.K.) Company Limited*	Corporate	Hong Kong	HK$1,550	51	50	Investment holding
Changchun Dacheng Nikken Polyols Co., Ltd.*	Corporate	Mainland China	US$6,000,000	51	50	Manufacture and sale of sorbitol products

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

* Incorporated/established during the year.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted shares, at cost	**287,937**	287,937

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and have no fixed terms of repayment.

16. INVESTMENTS IN SUBSIDIARIES (continued)

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				
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100	Trading of corn refined products and corn based biochemical products
Datex Investment Limited	Hong Kong	Ordinary HK$2	100	Investment holding
Global Polyol Investments Limited	Hong Kong	Ordinary HK$1,000	75	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd.*/#	Mainland China	US$12,000,000	73	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.*/#	Mainland China	RMB154,645,600	90	Manufacture and sale of corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.*/#	Mainland China	RMB153,940,000	80	Manufacture and sale of corn refined products
Changchun Dacheng Fermentation Technology Development Co., Ltd.**/#/@	Mainland China	US$2,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng New Polyol Development Co., Ltd.*/#/@	Mainland China	US$2,000,000	75	Manufacture and sale of corn based biochemical products
Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd.*/#	Mainland China	RMB99,250,000	90	Manufacture and sale of corn based biochemical products

16. INVESTMENTS IN SUBSIDIARIES (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 Dacheng Starch Development Co., Ltd.*/#	Mainland China	RMB54,400,000	90	Manufacture and sale of corn refined products
Changchun Dahe Bio Technology Development Co., Ltd.**/#	Mainland China	US$15,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dihao Foodstuff Development Co., Ltd.*/#/@ (Note)	Mainland China	RMB30,000,000	75	Manufacture and sale of corn based biochemical products
Changchun Jincheng Corn Development Co., Ltd.*/#	Mainland China	RMB98,700,000	90	Manufacture and sale of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.**/#/@	Mainland China	US$6,000,000	100	Manufacture and sale of corn based biochemical products
Dacheng Glutamic Acid (Jinzhou) Development Co., Ltd.**/#	Mainland China	US$12,000,000	100	Dormant
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*/#	Mainland China	US$12,659,400	70	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.**/#	Mainland China	US$2,668,000	100	Manufacture and sale of corn sweeteners

* Registered as cooperative joint ventures under the PRC laws.

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

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

@ Acquired/incorporated/established during the year.

16. INVESTMENTS IN SUBSIDIARIES (continued)

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.

Note:

As detailed in note 14 to the financial statements, on 23 September 2004, the Group acquired 75% equity interest in Dihao Foodstuff. Dihao Foodstuff is a cooperative joint venture established in the PRC, which is principally engaged in the manufacture and sale of corn sweeteners. Further details of the above are set out in a circular of the Company dated on 24 September 2004.

17. LONG TERM PREPAYMENT

The balance represented prepaid related fees in respect of the syndicated loan (see note 22) granted to the Group and the Company. Amortisation is provided on the straight-line basis over the remaining terms of the syndicated loan.

	Group and Company HK$'000
Cost:	
At 1 January 2004 and at 31 December 2004	10,850
Accumulated amortisation:	
At 1 January 2004	1,205
Provided during the year (note 6)	3,617
At 31 December 2004	4,822
Net book value:	
At 31 December 2004	6,028
At 31 December 2003	9,645

18. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**595,103**	343,819
Finished goods	**60,125**	23,062
	655,228	366,881

19. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	Group	
	2004	2003
	HK$'000	HK$'000
1–30 days	**435,106**	246,978
31–60 days	**131,693**	62,701
61–90 days	**145,320**	45,072
Over 90 days	**86,655**	106,335
	798,774	461,086

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**755,979**	658,481	**20,666**	99,131
Time deposits	**487,162**	77,590	**431,911**	—
Cash and cash equivalents	**1,243,141**	736,071	**452,577**	99,131

At the balance sheet date, HK$734,936,000 (2003: HK$595,700,000) of cash and bank balances of the Group was denominated in Renminbi (''RMB''). The 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.

21. 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.

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

	Group	
	2004	2003
	HK$'000	HK$'000
1–30 days	**107,316**	67,862
31–60 days	**12,325**	4,284
61–90 days	**6,484**	2,574
Over 90 days	**24,577**	17,674
	150,702	92,394

22. INTEREST-BEARING BANK AND OTHER LOANS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans, secured	**—**	264	**—**	—
Bank loans, secured and repayable:				
Within one year	**942,434**	489,698	**310,000**	—
In the second year	**324,072**	227,355	**310,000**	193,750
In the third to fifth years, inclusive	**320,940**	375,896	**—**	193,750
Beyond five years	**6,693**	15,046	**—**	—
	1,594,139	1,107,995	**620,000**	387,500
Other loans, unsecured and repayable within one year	**15,555**	24,587	**—**	—
	1,609,694	1,132,846	**620,000**	387,500
Portion classified as current liabilities	**(957,989)**	(514,549)	**(310,000)**	—
Long term portion	**651,705**	618,297	**310,000**	387,500

On 22 September 2003, the Company accepted an offer under the loan facilities offered by a syndicate of banks and financial institutions for a term loan facility of the sum of US$80,000,000 and a revolving loan facility up to the aggregate principal amount of US$20,000,000 for a term of 36 and 35 months, respectively, both with interest rate of London Interbank Offered Rate plus 1.5% per annum. As at 31 December 2004, US$80,000,000 (approximately equivalent to HK$620,000,000) of the syndicated loan was utilised. A termination event would arise if certain existing executive directors of the Company, cease to own beneficially, directly or indirectly, at least 40% of the shares in the Company's issued share capital. The first instalment of the syndicated loan was due on 22 March 2005.

22. INTEREST-BEARING BANK AND OTHER LOANS (continued)

The Group's other loans are advanced by a (2003: two) former shareholder of Jinzhou Yuancheng and a supplier of the Group (2003: Nil). These loans are unsecured, interest-free and are repayable on demand.

23. BANKING FACILITIES

At 31 December 2004, the Group's banking facilities, including term loans, mortgage loan and other general facilities, were secured by the following:

(i) fixed charges on certain leasehold land and buildings amounted to approximately HK$150,555,000 (2003: HK$141,971,000), and plant and machinery of the Group amounted to approximately HK$123,150,000 (2003: HK$138,190,000) (note 13);

(ii) corporate guarantees of approximately HK$1,635,978,000 (2003: HK$1,375,772,000) and approximately HK$280,613,000 (2003: HK$199,066,000) given by the Company and the subsidiaries of the Company, respectively; and

(iii) a corporate guarantee of approximately HK$37,383,000 (2003: Nil) given by Changchun Dacheng Industrial Group Co., Ltd., ("Dacheng Industrial"), the minority shareholder of certain subsidiaries of the Group.

In the prior year, one of the Group's banking facilities was secured by a corporate guarantee of approximately HK$46,729,000 given by a third party.

24. MINORITY INTERESTS

	Group	
	2004	2003
	HK$'000	HK$'000
Minority interests	**463,741**	316,829
Due to minority shareholders	**47,171**	8,395

The balance due to minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

25. DEFERRED TAX LIABILITY

At 31 December 2004, the Group provided for deferred tax liabilities of approximately HK$16,348,000 (2003: $16,348,000) arising from revaluation of leasehold land and buildings. No movement in deferred tax liability was noted during the year.

The Group had tax losses arising in Hong Kong of approximately HK$8,341,000 (2003: HK30,587,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses. During the year, the utilisation of tax losses arose from intra-group sales of machinery.

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

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

26. SHARE CAPITAL

Shares

	Group and Company	
	2004	2003
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each (2003: 10,000,000,000 ordinary shares of HK$0.10 each)	**1,000,000**	1,000,000
Issued and fully paid:		
2,238,986,700 ordinary shares of HK$0.10 each (2003: 2,010,185,200 ordinary shares of HK$0.10 each)	**223,899**	201,019

26. SHARE CAPITAL (continued)

Shares (continued)

During the year, the movements in share capital were as follows:

(a) The subscription rights attaching to 42,000,000 and 36,800,000 share options were exercised at the subscription prices of HK$1.316 and HK$1.830 per share (note 27), respectively, resulting in the issue of 78,800,000 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$122,616,000.

(b) 1,500 shares of HK$0.1 each were issued for cash at subscription price of HK$9.8 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$14,700.

(c) Pursuant to the Subscription Agreement between LXM Limited and the Company entered on 12 October 2004, 150,000,000 shares were issued and fully subscribed by LXM Limited at a price of HK$5.7 each (as detailed below). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive director of the Company.

26. SHARE CAPITAL (continued)

Shares (continued)

A summary of the above movements in the issued ordinary share capital of the Company is as follows:

	Notes	Number of shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
As at 1 January 2003		1,931,705	193,171	924,574	1,117,745
Shares issued for acquisition of a subsidiary		13,294	1,329	32,238	33,567
Share options exercised		65,186	6,519	81,639	88,158
		78,480	7,848	113,877	121,725
As at 31 December 2003 and 1 January 2004		2,010,185	201,019	1,038,451	1,239,470
Share options exercised	(a)	78,800	7,880	114,736	122,616
Warrants exercised	(b)	2	—	15	15
Share subscription and placement	(c)	150,000	15,000	840,000	855,000
		228,802	22,880	954,751	977,631
Share issue expenses		—	—	(25,189)	(25,189)
As at 31 December 2004		2,238,987	223,899	1,968,013	2,191,912

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

26. SHARE CAPITAL (continued)

Warrants

Pursuant to an ordinary resolution passed in the annual general meeting of the Company held on 4 May 2004, the Company granted one bonus warrant for every eight ordinary shares of HK$0.10 each in the share capital of the Company, to the shareholders whose names appear on the register of members of the Company on 4 May 2004 (the "Record Day"). On the Record Day, the Company had 2,086,985,200 shares in issue, and accordingly, 260,873,150 bonus warrants were issued.

Each of the bonus warrants entitles the holder thereof to subscribe for one ordinary share of the Company at an initial subscription price of HK$9.80 per share, subject to adjustment, from 28 May 2004 to 31 May 2007 (both dates inclusive).

Any shares falling to be issued upon the exercise of the subscription rights attaching to the warrants rank pari passu in all respects with the existing issued and fully paid ordinary shares on the relevant subscription date.

During the year, 1,500 warrants were exercised for 1,500 shares of HK$0.1 each at a price of HK$9.8 per share. At the balance sheet date, the Company had 260,871,650 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 260,871,650 additional shares of HK$0.1 each and the cash proceeds to the Company of approximately HK$2,556,542,170 before any related expenses.

Share subscription and placement

Pursuant to the Placing Agreement entered on 12 October 2004, LXM Limited and four directors (including Mr. Liu Xiaoming, Mr. Xu Zhouwen, Mr. Kong Zhanpeng and Mr. Wang Tieguang) agreed to place 150,000,000 and 40,000,000 existing shares (each director agreed to place 10,000,000 existing shares), respectively, at a price of HK$5.7 per share. LXM Limited is beneficially owned by Mr. Liu Xiaoming.

On the same date, LXM Limited entered the Subscription Agreement with the Company, 150,000,000 ordinary shares of HK$0.1 each, were issued to LXM Limited at a price of HK$5.7 each. After deducting net proceeds of approximately HK$855,000,000 from the share issue expenses of approximately HK$25,189,000, the Company raised net proceeds of HK$829,811,000, of which paid-up share capital and share premium amounted to HK$15,000,000 and HK$814,811,000, respectively.

27. SHARE OPTION SCHEME

The Company operates the share option scheme (the ''SO Scheme'') for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any full-time employee of the Company and its subsidiaries, including any executive directors of its subsidiaries, but not any non-executive directors. The SO Scheme became effective on 12 March 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the 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, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the SO Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the offer date; and (ii) the nominal value of the ordinary shares.

In the opinion of the directors, after seeking relevant advice, the existing SO Scheme does not fully comply with the new requirements as set out in Chapter 17 of the Listing Rules on 23 August 2001, and therefore further new options may not be issued under the existing SO Scheme. However, the share options already granted by the Company to the grantees under the existing SO Scheme are not affected by the Listing Rules changes.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, no additional share options were granted.

27. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the SO Scheme during the year:

Category or name of participant	Number of share options: At 1 January 2004*	Exercised during the year	At 31 December 2004	Date of grant of share options**	Exercise period of share options	Exercise price of share options*** HK$	Price of Company's shares****: At grant date of options HK$	At exercise date of options HK$
Directors								
Mr. Liu Xiaoming	14,745,600	(10,000,000)	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
Mr. Xu Zhouwen	23,040,000	(10,000,000)	13,040,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
Mr. Kong Zhanpeng	14,745,600	(10,000,000)	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
Mr. Wang Tieguang	14,745,600	(10,000,000)	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
	67,276,800	(40,000,000)	27,276,800					
Other employees								
In aggregate	7,152,000	(2,000,000)	5,152,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	5.55
	74,428,800	(42,000,000)	32,428,800					

* The aggregate number of shares to be subscribed for was adjusted for the bonus issue made by the Company on 23 April 2002.

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

*** The exercise price of the share options was adjusted for the bonus issue made on 23 April 2002 from HK$1.58 to HK$1.316.

**** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options and was adjusted for the bonus issue made on 23 April 2002 from HK$2.00 to HK$1.66. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of share options within the disclosure line.

The 42,000,000 share options exercised during the year resulted in the issue of 42,000,000 ordinary shares of the Company and new share capital of HK$4,200,000 and share premium of approximately HK$51,072,000 (before issue expenses), as detailed in note 26 to the financial statements.

27. SHARE OPTION SCHEME (continued)

The movements in the number of share options to subscribe for ordinary shares in the Company during the year were as follows:

	Number of share options to subscribe for ordinary shares at an exercise price per share of# '000
At beginning of year	74,429
Exercised during the year	(42,000)
At the end of year	32,429

Adjusted to take into account the one for five bonus issue of the issued share capital of the Company on 23 April 2002.

At the balance sheet date, the Company had 32,428,800 share options outstanding under the SO Scheme which were exercisable at a subscription price of HK$1.316, after the adjustment for the one for five bonus issue during the year ended 31 December 2002, and will expire on 20 August 2011. The outstanding share options represented approximately 1.4% of the Company's shares in issue as at the balance sheet date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,428,800 additional ordinary shares and cash proceeds to the Company of approximately HK$42,676,000 before the related share issue expenses.

27. SHARE OPTION SCHEME (continued)

Other than the SO Scheme disclosed above, the Company has also granted share options to Cargill International Trading Pte. Ltd. (''Cargill International'') as follows:

On 25 September 2001, the Company granted 23,800,000, 36,800,000 and 47,420,000 share options to Cargill International, which entitled Cargill International to subscribe for the Company's ordinary shares of HK$0.10 each at exercise prices of HK$1.91, HK$2.19 and HK$2.65 per share, respectively. After the adjustment for the one for five bonus issue during the year ended 31 December 2002, the exercise price for the three lots of share options became HK$1.59, HK$1.83 and HK$2.21, respectively. The three lots of share options are exercisable during the periods from 25 March 2003 to 23 April 2003, from 25 March 2004 to 23 April 2004, and from 25 March 2005 to 25 April 2005, both dates inclusive, respectively. The price of the Company's shares as at the date of the grant of the share options was HK$1.65, which was the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options and was adjusted for the bonus issue made on 23 April 2002 from HK$1.98.

In 2003, 23,800,000 shares options were exercised at a subscription price of HK$1.59 per share, resulting in the issue of 23,800,000 new ordinary shares in the Company at a total consideration of HK$37,842,000. The price of the Company's shares as at the preceding date of the exercise of the share options was HK$1.92.

During the year, 36,800,000 share options were exercised at a subscription price of HK$1.83 per share, resulting in the issue of 36,800,000 new ordinary shares in the Company at a total consideration of HK$67,344,000. The price of the Company's shares as at the date of the exercise of the share options was HK$6.55 which was the Stock Exchange closing prices on the trading day immediately prior to the date of the exercise of the share options.

The remaining 47,420,000 share options remained outstanding as at 31 December 2004 and at the date of this report. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 47,420,000 additional ordinary shares and cash proceeds to the Company of approximately HK$104,798,000 before the related share issue expenses.

28. RESERVES

Group

	Notes	Share premium account HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003		636,839	7,204	—	978,236	1,622,279
Issue of shares	26	113,877	—	—	—	113,877
Net profit for the year		—	—	—	520,772	520,772
Interim dividend 2003 paid	11	—	—	—	(40,510)	(40,510)
Proposed final 2003 dividend	11	—	—	—	(50,255)	(50,255)
Transfer from retained profits		—	—	2,369	(2,369)	—
Surplus on revaluation		—	108,752	—	—	108,752
Surplus on revaluation shared by minority shareholders		—	(13,181)	—	—	(13,181)
Deferred tax liability		—	(16,348)	—	—	(16,348)
At 31 December 2003 and 1 January 2004		750,716	86,427	2,369	1,405,874	2,245,386
Issue of shares	26	954,751	—	—	—	954,751
Share issue expenses	26	(25,189)	—	—	—	(25,189)
Net profit for the year					815,451	815,451
Interim dividend 2004 paid	11	—	—	—	(54,144)	(54,144)
Proposed final 2004 dividend	11	—	—	—	(111,949)	(111,949)
Transfer from retained profits		—	—	965	(965)	—
At 31 December 2004		1,680,278	86,427	3,334	2,054,267	3,824,306
Reserves retained by:						
Company and subsidiaries		1,680,278	86,427	3,334	2,060,187	3,830,226
Jointly-controlled entities		—	—	—	(5,920)	(5,920)
31 December 2004		1,680,278	86,427	3,334	2,054,267	3,824,306
Company and subsidiaries		750,716	86,427	2,369	1,410,315	2,249,827
Jointly-controlled entities		—	—	—	(4,441)	(4,441)
31 December 2003		750,716	86,427	2,369	1,405,874	2,245,386

28. RESERVES (continued)

Company

	Notes	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003		924,574	27,700	952,274
Issue of shares	26	113,877	—	113,877
Net profit for the year	10	—	126,474	126,474
Interim 2003 dividend	11	—	(40,510)	(40,510)
Proposed final 2003 dividend	11	—	(50,255)	(50,255)
At 31 December 2003 and 1 January 2004		1,038,451	63,409	1,101,860
Issue of shares	26	954,751	—	954,751
Share issue expenses	26	(25,189)	—	(25,189)
Net profit for the year	10	—	120,381	120,381
Interim 2004 dividend	11	—	(54,144)	(54,144)
Proposed final 2004 dividend	11	—	(111,949)	(111,949)
At 31 December 2004		1,968,013	17,697	1,985,710

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, over the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the new issue during the year; (iii) the premium arising from the capitalisation issue in prior years; and (iv) the premium arising from the placing and subscriptions of new ordinary shares in prior years.

28. RESERVES (continued)

Company (continued)

The share premium account of the Company includes: (i) the difference between the then combined net assets value 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, over the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the new issue during the year; (iii) the premium arising from the capitalisation issue in prior years; and (iv) the premium arising from the placing and subscriptions of new ordinary shares in prior years.

In accordance with the Companies Law Cap. 22 (Law 6 of 1961, as consolidated and 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.

Certain subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to the statutory reserve fund until the reserve reaches 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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	Notes	2004 HK$'000	2003 HK$'000
Net assets acquired:			
Fixed assets	13	**104,425**	142,792
Deposits paid for acquisition of fixed assets		**—**	91,119
Inventories		**12,901**	—
Trade receivables		**11,610**	—
Prepayments, deposits and other receivables		**9,467**	2,432
Cash and bank balances		**34,113**	2,204
Trade payables		**(27,853)**	—
Other payables and accruals		**(6,791)**	(13,575)
Interest-bearing bank loans		**(11,308)**	(65,621)
Other loans		**—**	(55,990)
Tax payable		**(350)**	—
Due to a minority shareholder		**—**	(5,162)
Minority interests		**(31,553)**	(29,460)
		94,661	68,739
Goodwill on acquisition	14	**32,839**	13,538
		127,500	82,277
Satisfied by:			
Cash		**127,500**	48,710
Issue of shares		**—**	33,567
		127,500	82,277

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

Acquisition of a subsidiary (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2004	2003
	HK$'000	HK$'000
Cash consideration	**(127,500)**	(48,710)
Cash and bank balances acquired	**34,113**	2,204
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(93,387)**	(46,506)

On 23 September 2004, the Group entered into an agreement to acquire 75% equity interest in Dihao Foodstuff (as detailed in note 16 to the financial statements). Dihao Foodstuff is engaged in the manufacture and sale of corn sweeteners. The aggregate purchase consideration for the acquisition was in the form of cash which amounted to HK$127,500,000.

Since its acquisition, Dihao Foodstuff contributed HK$146,735,000 to the Group's turnover and HK$16,075,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2004.

30. LITIGATION

In the prior year, a subsidiary of the Group was a defendant in a lawsuit brought by an existing customer for an alleged breach of certain sales contracts. Subsequent to the balance sheet date, on 5 January 2005, the Group and the plantiff have reached an out-of-court settlement. Adequate provisions have been made in the financial statements in this report.

31. CONTINGENT LIABILITIES

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

At 31 December 2004, the banking facilities granted to the Company's subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$860,978,000 (2003: HK$343,800,000).

31. CONTINGENT LIABILITIES (continued)

At 31 December 2004, the Company had provided guarantee to certain jointly-controlled entities in favour of the bank for banking facilities granted to those jointly-controlled entities. At the balance sheet date, these jointly-controlled entities utilised the banking facilities to the extent of approximately HK$11,625,000 (2003: Nil) (see also note 33(b)).

32. COMMITMENTS

At 31 December 2004, the Group had capital commitments as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold land and buildings	**236,565**	354,673
Plant and machinery	**142,930**	23,121
	379,495	377,794
Authorised, but not contracted for:		
Capital contributions payable to subsidiaries	**288,600**	162,429
	668,095	540,223

Apart from the above, in October 2003, the Group announced to set up a joint venture with two joint venture parties, namely, International Polyol Chemicals ("IPCI") in Changchun, for the manufacture and sale of polyol products. In the opinion of the directors, the expected annual production capacity for this new production plant will be approximately 200,000 metric tonnes, but the details of the investment amount have not yet agreed among the parties at the date of this report.

Save as disclosed, the Company did not have any significant commitments as at 31 December 2004.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the Group sold goods and charged utility costs to a jointly-controlled entity amounting to approximately HK$48,142,000 (2003: HK$18,526,000) and HK$5,978,000 (2003: HK$3,365,000), respectively. The sales were made at prices which were comparable to the prices offered to other customers of the Group. The utility costs were charged based on the actual costs incurred.

(b) During the year, the Group sold goods to Mitsui & Co., Ltd., Mitsui & Co. (Canada) Ltd. and Mitsui & Company (Hong Kong) Ltd., in aggregate amounting to approximately HK$12,171,000 (2003: HK$7,060,000). In the opinion of the directors, the above mentioned companies are subsidiaries of Mitsui & Co., Ltd., which is the joint venture partner of a jointly-controlled entity in which the Group effectively held 51% equity interest. The aforesaid transactions were made at prices mutually agreed between the parties.

(c) At 31 December 2004, the Company had issued a guarantee to secure certain of the jointly-controlled entity's bank loans aggregating HK$15,113,000 (2003: HK$15,113,000). At the balance sheet date, HK$11,625,000 were utilised by this jointly-controlled entity (2003: Nil).

(d) At 31 December 2004, a corporate guarantee of HK$37,383,000 (2003: Nil) was given by Dacheng Industrial. At the balance sheet date, HK$37,383,000 (2003: Nil) were utilised by a subsidiary of the Group.

34. POST BALANCE SHEET EVENT

(a) On 30 March 2005, pursuant to an agreement entered into by a jointly-controlled entity (''Dacheng Nikken'') in which the Group effectively owns 51% equity interest and Dacheng Industrial, which is a minority shareholder of certain subsidiaries of the Group. Dacheng Nikken agreed to purchase a piece of land from Dacheng Industrial for the construction of a sorbitol plant at a cash consideration of approximately RMB17 million (equivalent to approximately HK$16 million).

(b) On 8 April 2005, the Company proposed to declare a final dividend of HK5 cents per ordinary share in respect of the year, to shareholders whose names appear on the register of members on 18 May 2005, as detailed in note 11 to the financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 April 2005.

Corporate Information

Board of Directors

Liu Xiaoming, *Co-Chairman*
Xu Zhouwen, *Co-Chairman*
Kong Zhanpeng, *Executive Director*
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

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

Head Office and Principal Place of Business in Hong Kong

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

Auditors

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

Legal Advisers

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

Principal Bankers

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

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

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.globalbiochem.com

Stock Code: 0809

Key Dates

Closure of register of members:
17 May 2005 to 18 May 2005
(both days inclusive)
Annual general meeting:
18 May 2005
Date of payment of final dividend:
7 June 2005