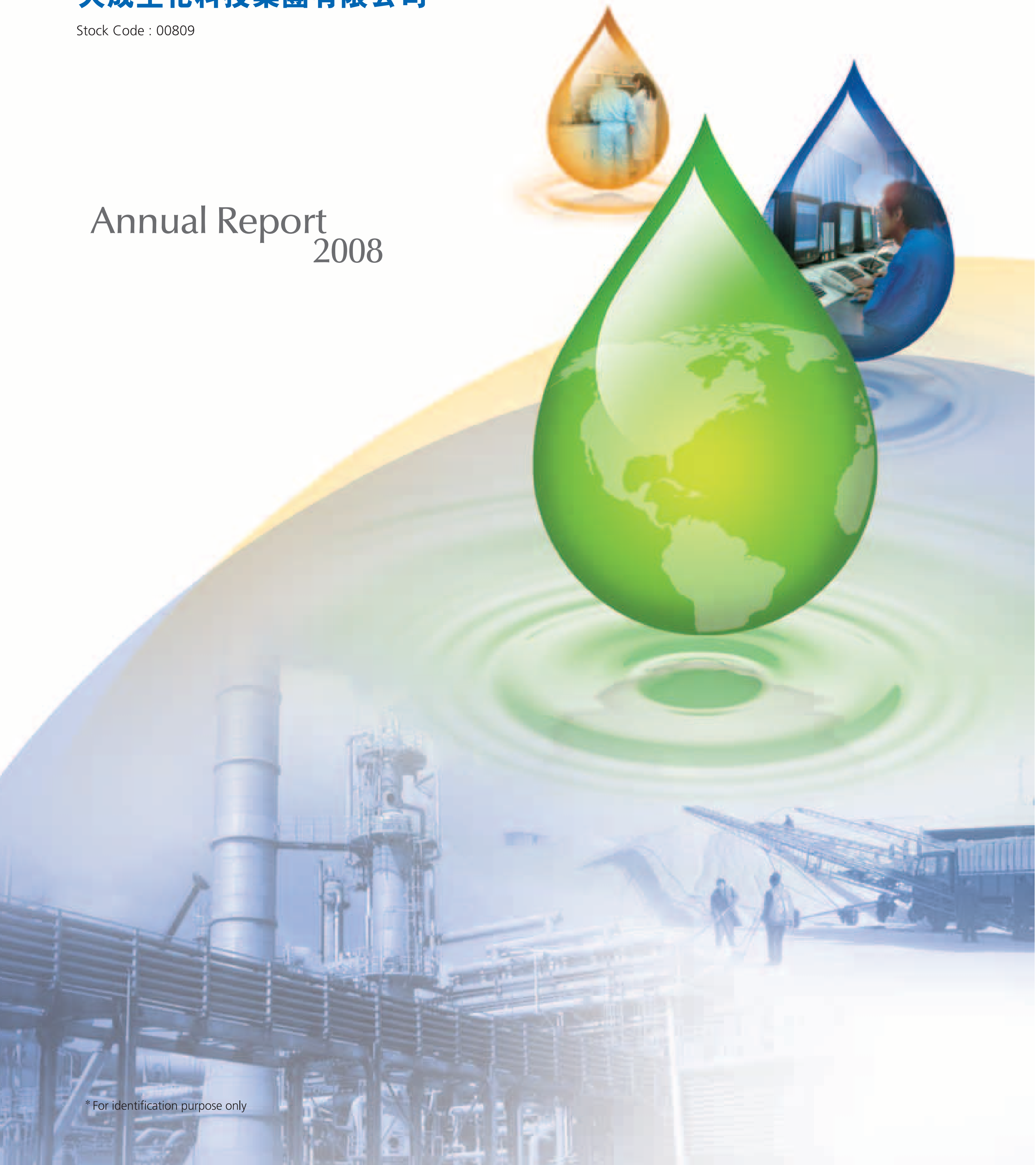
Global Bio-chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809



Annual Report 2008

* For identification purpose only

JILIN

Annual Production Capacity:

• Amino Acids	—	460,000 mt
• Corn Sweeteners	—	820,000 mt
• Modified Starch	—	80,000 mt
• Polyol Chemicals	—	210,000 mt
• Corn Refinery	—	1.8 million mt
	—	1.0 million mt*

Site Area: Over 3.3 million m^2

Location: Situated within the Golden Corn Belt

LIAONING

Annual Production Capacity:

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

Site Area: Approximately 370,000 m^2

Location: Situated within the Golden Corn Belt and at the transportation hub

SHANGHAI

Annual Production Capacity:

• Corn Sweeteners	—	240,000 mt

Site Area: Approximately 30,000 m^2

Location: Situated in close proximity to food & beverage manufacturers

HONG KONG

Headquarters

* *in progress*
mt: metric tonnes
m^2: metres square

CONTENTS

FINANCIAL HIGHLIGHTS

Revenue (HK$'Mn)

Gross Profit (HK$'Mn)

Net profit* (HK$'Mn)

* excluding the gain from the spin off of a subsidiary group attributable to equity holders of the Company

	2008	2007	**Change %**
Revenue (HK$'Mn)	**8,810**	6,797	30
Gross profit (HK$'Mn)	**1,751**	1,596	10
Profit before tax (HK$'Mn)	**704**	1,095	(36)
Net profit excluding the gain from the spin off of a subsidiary group attributable to equity holders of the Company (HK$'Mn)	**622**	672	(7)
Net profit attributable to equity holders of the Company (HK$'Mn)	**622**	943	(34)
Basic earnings per share (HK cents)	**26.8**	40.7	(34)
Dividend per share (HK cents)			
Interim	**1.5**	1.0	50
Proposed final	**1.0**	2.0	(50)

Dear shareholders

There had been drastic changes in the worldwide economy in 2008, while the PRC also experienced an extraordinary year marked by a series of natural disasters in the first half of 2008, including heavy rainfall and snowstorm in Southern China, and the Sichuan earthquake which had thwarted economic growth in the country. The situations had posed severe challenges to the manufacturing-based corporations, technology improvement and infrastructure development, as well as their research and development due to substantial increase in the costs of raw and ancillary materials, fuel, electricity, steel and chemical products. The world economy was slowed down by the financial turmoil triggered by the global credit crisis. The PRC business environment was further hammered when the global financial crisis spread across the Asia Pacific in the second half of the year, and the Group's operations had been put to test. Significant retreat in oil prices from their record high had forced prices of the Group's upstream and downstream products, such as sweeteners and polyol, to drop. However, the costs of coal, electricity and transportation stayed at a relatively high level during 2008. With swift determination, the Group managed to reduce its costs, through lowering energy consumption and residue emission, and to maintain its gross profit margin at a reasonable level.

The Group's 2008 consolidated revenue and gross profit amounted to approximately HK$8.8 billion and HK$1.8 billion respectively, representing increases of 30 per cent and 10 per cent respectively from those of the previous year. Owing to increased costs and retreat in price of certain products, the Group's overall gross margin was adjusted to 20%, and net profit attributable to shareholders for the year reduced to approximately HK$622 million.

During the year, the Group's liquidity and financial position remained healthy, as reflected by an EBITDA of approximately HK$1,500 million in 2008. Cash and cash equivalents as at the end of the year under review amounted to over HK$1,500 million.

Among the downstream products, lysine remained as a major contributor to the Group's revenue. Being the world's largest lysine producer, the Group is able to exert its influence on stabilising the supply and prices of lysine. The average lysine price in 2008 remained at a stable level despite worsened global economic condition. During the year, the Group further strengthened its market share and expanded its customer base by taking full advantage of its scale of production. After years of development, the lysine business has become an established operation, providing the Group with a stable revenue stream. As a result of the Group's marketing and promotion efforts, protein lysine has gained wide recognition at domestic and overseas markets. During the year, the Group's total sales of lysine amounted to approximately 410,000 metric tonnes, including approximately 310,000 metric tonnes of protein lysine. Increase in the proportion of overseas sales of protein lysine to total lysine sales served to lift the average gross margin of lysine products.

In 2008, the Group's export volume of lysine amounted to approximately 140,000 metric tonnes, accounting for over 30% of its total sales volume. The export volume reflected substantial increase in sales to the Asian markets. This was mainly attributable to the Group's continued efforts in developing the international market and strong overseas demand for lysine.

After almost two years of development, the Group's polyol project commenced commercial production in 2008. The polyol plant in Changchun, with an annual production capacity of 210,000 metric tonnes, had reached its rated capacity during the year. The market responded positively to the commercial sales of the Group's polyol products. Total sales volume of polyol for the year reached 130,000 metric tonnes. Made from renewable natural materials, the Group's polyol products have been simply regarded by many industrial users as substitute for chemical materials refined from petrochemicals. Considerable decrease in oil price in the fourth quarter of 2008 had thus led to a decline in the prices of polyol products. The sales revenue and gross profit of the Group's polyol products during the year amounted to approximately HK$1 billion and HK$160 million respectively.

With respect to upstream products, increased supply and weakened price of corn starch had trimmed down the gross margin of the Group's corn starch, despite stable market demand. However, with the corn refinery in Dehui became fully operational during the year, the Group maintained a growth in the overall sales and gross profit of its upstream products, with enhanced production capacity.

Regarding the investigation of the alleged infringement by the Group of the patents allegedly held by Ajinomoto in relation to its lysine products, the United States International Trade Commission issued a determination in September 2008 that Global Bio-chem has not violated Section 337 of the United States Tariff Act of 1930. With regard to the orders issued by the Hague District Court in 2007 prohibiting members of the Group from importing into and/or trading in the Netherlands lysine products that allegedly infringed the patents of a third party, the Group has lodged an appeal against the court's judgement.

PROSPECTS

With the prevailing financial crisis and worldwide economic recession, which have no sign of lessening, corporations tend to maintain a prudent approach in their development and capital expenditure. In the face of uncertainty in the economic and market environments, the Group will carefully review the changing situations, to grip the arising opportunities through sophisticated strategies, in order to fully leverage its scale of operations. The Group will take a pragmatic approach to actively implement stringent management control and to minimise operating risk, and to further enhance production technology and product range, by capitalising on its leading technology and advanced production skill set, in order to reduce cost and strengthen its market competitiveness.

The PRC economy is expected to achieve steady growth on the back of the various fiscal policies recently introduced by the State government and its support to the agricultural industry to ensure stable supply of foodstuff (including meat, egg and milk products). Since the Group's end-customers of its major raw material and final products (including lysine and feed stuff) are related to the agricultural and livestock industries, despite economic slowdown, the policies implemented by the State government are expected to have a positive impact on the Group. Sales of amino acid such as lysine and feed stuff have maintained reasonable growth. The Group thus remains optimistic about the selling price of lysine.

The Group will continue to fine-tune the portfolio of its polyol products and introduce derivative products to meet market needs in various industries. Moreover, the Group is actively exploring new application of polyol products to enlarge its market coverage. The Group aims to gradually change the market perception of the product as a mere substitute for petrochemical products, by promoting the product's unique properties and broad application, as well as its environmental friendly attributes. The Group intends to introduce more high value added products to widen its profit margin in order to increase long term profit and returns. In view of the changing market environment, the Group will maintain its flexibility in adjusting the progress of its polyol project development in the future.

The Group's commitment to innovation will continue to drive its development. The Group will continue to modify the bacteria strain for fermentation and catalyst for chemical reaction in order to enhance product quality and production efficiency. To maintain market competitiveness, we will accelerate our research and development to expand our existing product lines, to broaden product application and industry coverage to enhance their marketability. These measures will lay a solid foundation for establishing the Group a leading position in the corn-based chemical industry.

2009 will be a challenging year. The Group's management will continue its prudent operating strategies, and at the same time strengthen its internal control by raising risk management awareness across the board. The Group strives to maintain sufficient financial resources to facilitate a swift response to the uncertainty of the financial turmoil, and to further consolidate its various products' respective market presence.

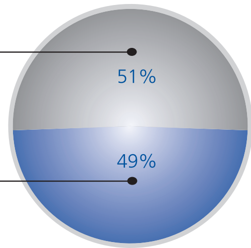
Liu Xiaoming	**Xu Zhouwen**
Co-chairman	*Co-chairman*

23 April 2009

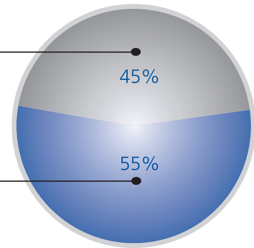
Revenue and Gross Profit Analysis

Sales Volume (mt)

	2008	2007
Upstream:	**1,186,092**	**987,652**
Downstream:	**1,149,566**	**1,208,108**
Amino Acids	423,155	407,308
Modified Starch	128,342	62,496
Sweeteners	63,003	703,535
Others	535,066	34,769



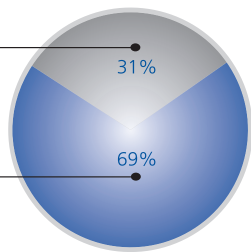
2008



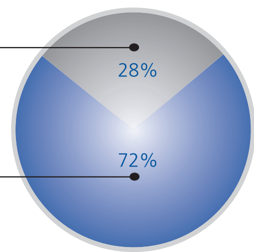
2007

Revenue (HK$'000)

	2008	2007
Upstream:	**2,737,232**	**1,882,646**
Downstream:	**6,072,772**	**4,914,225**
Amino Acids	3,624,738	3,084,081
Modified Starch	1,027,443	189,990
Sweeteners	197,315	1,379,594
Others	1,223,276	260,560



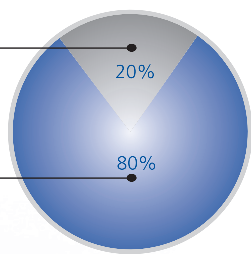
2008



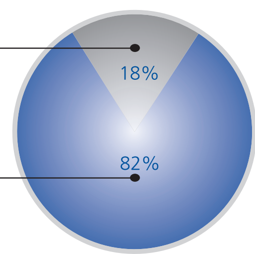
2007

Gross Profit (HK$'000)

	2008	2007
Upstream:	**354,420**	**289,796**
Downstream:	**1,396,307**	**1,305,884**
Amino Acids	1,009,201	865,631
Modified Starch	162,766	29,728
Sweeteners	31,573	398,244
Others	192,767	12,281



2008



2007

mt : metric tonnes

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

FINAL DETERMINATION OF THE 337 INVESTIGATION

The Company and certain of its subsidiaries had been involved in an investigation (the "337 Investigation") by the United States International Trade Commission (the "Commission") initiated by Ajinomoto Heartland LLC and Ajinomoto Co., Inc. on 25 April 2006 in respect of an allegation thereby that the Group infringed certain patents by importing certain lysine feed products to the United States of America ("US"), in violation of Section 337 of the United States Tariff Act of 1930 ("Section 337"). On 31 July 2008, an administrative law judge of the Commission issued a non-final initial determination that the said patents are invalid and unenforceable and that the Group's importation of lysine feed products into the US has not violated Section 337. On 29 September 2008, the Commission issued a final determination that the 337 Investigation was terminated with a finding of no violation of Section 337 by the Group.

All estimated related legal costs arising from the 337 Investigation and other litigations have been properly accrued in the consolidated financial statements of the Group.

BUSINESS ENVIRONMENT

Market conditions changed drastically over the course of the Year. In view of the strong demand of amino acids and polyol chemical products during the first half of the Year, both turnover and operating profit of the Group, on semi-annual basis, hit their respective record high. However, since the beginning of second half of 2008, business environment had deteriorated due to a global economic downturn. The slip of petroleum price, the shrinking of export of textile industry, the tightening of bank borrowing and fear of recession caused a consequential drop in demand and customers' stock level, which severely affected our products' prices. It resulted not only a significant decline of our selling price, but also a provision against our closing inventories, especially that of the polyol chemical products, which resulted in a significant decrease in gross profit margin.

Despite such adverse market conditions, the Group's operations remained strong in 2008 owing to the increase of lysine production and launch of polyol chemical products. The Group's turnover for the Year increased by approximately 30% as compared with that for 2007, amounted to approximately HK$8.8 billion.

In order to effect a strategic allocation of client base and in view of keen demand from overseas markets, the Group maintained its overseas sales at similar level as that in prior years. During the Year, such sales accounted for approximately 24% (2007: 22%) of the Group's revenue.

FINANCIAL PERFORMANCE

In view of the enlarged sales volume of downstream products, particularly amino acids and polyol chemical products, the Group's consolidated revenue and gross profit increased by approximately 30% to approximately HK$8.8 billion (2007: HK$6.8 billion) and approximately 10% to approximately HK$1,751 million (2007: HK$1,596 million). However, the gross profit margin dropped to approximately 20% (2007: 24%) due to the slip of gross profit margin of our products during the second half of the Year and additional provision of inventories charged in the consolidated income statement amounting to approximately HK$71 million.

Upstream products segment

(Sales amount: HK$2,737 million (2007: HK$1,883 million))
(Gross profit: HK$354 million (2007: HK$290 million))

Increase in sales amount and gross profit of upstream products segment mainly resulted from the additional output produced by an upstream refinery in Dehui which commenced its production since the second half of the 2007.

The global financial tsunami and the keen competition of corn starch manufacturers in the PRC during the second half of 2008 had adverse impact on the Group's annual upstream gross profit margin, with a reduction of approximately 2% as compared to last year's figure.

Downstream products segment

(Sales amount: HK$6.1 billion (2007: HK$4.9 billion))
(Gross profit: HK$1.4 billion (2007: HK$1.3 billion))

Despite the negative impact arising from the global financial tsunami, the sales amount and gross profit of our downstream products increased substantially by approximately 24% and approximately 8% respectively during the Year, which was mainly attributable to the launch of the Group's polyol chemical products at the end of 2007 in comparison with the full year of 2008.

Same as prior years, amino acids still constituted the key products of the Group. Their aggregate turnover and gross profit in 2008 amounted to approximately HK$3.6 billion (2007: HK$3.1 billion) and approximately HK$1,009 million (2007: HK$866 million), which accounted for approximately 41% (2007: 45%) and approximately 58% (2007: 54%) of the Group's total turnover and gross profit respectively.

As a new income source, polyol chemicals division generated revenue of approximately HK$1,027 million (2007: HK$258 million), with a gross profit margin (before the provision of closing inventories) of approximately 24% (2007: 5%). The gross profit contributed by this division during the Year amounted to approximately HK$163 million (2007: HK$20 million). Due to the slip of petroleum price and shrinking of export of textile industry (polyol chemicals being the raw material of textile), those related chemical products suffered operating loss since the last quarter of the Year. Although the Directors believe that our polyol chemicals division would operate profitably in long run. As at 31 December 2008, provision of closing inventories of polyol chemical products included in the balance sheet amounting to approximately HK$81 million was made for the sake of prudence.

On the other hand, mainly due to the increased internal consumption of crystallised glucose and sorbitol for the production of polyol chemical products, the sales volume of sweeteners division dropped by approximately 24%. Meanwhile, the outbreak of melamine-tainted food incident in the PRC and global financial tsunami caused decrease in demand for sweeteners in the food and beverage industry and brought in substantial price pressure on sweeteners products during the last quarter of 2008. The sales amount and gross profit of sweetener division dropped by approximately 11% and approximately 52% respectively.

Product segments

In line with the new production capacity in the upstream division, the sales amount and gross profit of upstream products accounted for approximately 31% (2007: 28%) and approximately 20% (2007: 18%) of the Group's total turnover and gross profit, respectively.

Other revenue, operating expenses, finance costs and income tax

As announced by the Company on 10 January 2008, the Group acquired the entire equity interests held by those joint venture partners in a joint venture for the production and sale of sorbitol products. A negative goodwill arising from the acquisition amounting to approximately HK$24 million was recognised as an income.

Due to inflation and enlarged operation scale, the operating expenses other than finance costs increased by approximately 45%. Nevertheless, the ratio of total operating expenses (including other revenue) to turnover remained at similar level, resulting mainly from the continuous and stringent control over operating costs, the enhancement in operating efficiency arising from expansion and enlarged turnover as the base of calculation. During the Year, the legal expense incurred for the 337 Investigation and other infringement litigations among the other expenses was approximately HK$47 million which was the triple of the 2007's figure.

Due to the deterioration of business environment and the increases in both bank borrowings and average interest rate, the finance costs increased by approximately 35% while interest coverage (i.e. EBIDTA from normal operation over finance costs) dropped to approximately 4 times (2007: 7 times). It is also anticipated that the pressure from finance costs will remain heavy for the coming year.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC were still entitled to income tax relief. As income arising from the polyol chemicals division, certain operating units of amino acid and upstream products enjoyed income tax relief in 2008, the overall effective tax rate of the Group reduced to 4% (2007: 11%).

Profit shared by minority shareholders

On 20 September 2007, the ordinary shares of Global Sweeteners Holdings Limited ("GSH") (stock code: 03889), an indirect non-wholly owned subsidiary of the Company, listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the Year, profit shared by the minority shareholders of GSH amounted to approximately HK$51 million (2007: HK$36 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support additional working capital requirement and the capital expenditure on projects including the construction of facilities and/or expansion projects, the net borrowing as at 31 December 2008 increased to approximately HK$4 billion (31 December 2007: HK$3 billion).

Structure of interest bearing borrowings

As at 31 December 2008, the Group's bank and other borrowings amounted to approximately HK$5.5 billion (31 December 2007: HK$4.8 billion), of which approximately 19% (31 December 2007: 17%) were denominated in Hong Kong dollars or US dollars while the remainder were denominated in RMB. The average interest rate during the Year was approximately 7% (2007: 6%).

The percentage of interest bearing borrowings wholly repayable within one year and beyond two years were approximately 62% (31 December 2007: 35%) and approximately 38% (31 December 2007: 65%) respectively. The change was mainly due to the maturity of certain long term borrowings that would fall within 12 months as from 31 December 2008. In view of the long term relationship with existing bankers, no material pressure in obtaining continuous financing resources is expected. As at 31 December 2008, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$21 million (31 December 2007: HK$21 million).

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. Due to the commencement of operation of a new upstream refinery in the second half of 2007, the turnover days of trade receivables as at 31 December 2007 remained relatively high. As at 31 December 2008, trade receivables turnover days reduced to approximately 47 days (31 December 2007: 58 days). Meanwhile, the trade creditors turnover days increased to approximately 55 days (31 December 2007: 33 days) which was in line with the seasonal pattern of raw material acquisition. On the other hand, due to the global financial tsunami, the sales activities slowed down in the last quarter of 2008. As a result, finished good level as at 31 December 2008 became relatively high and inventory turnover days increased to approximately 118 days (31 December 2007: 87 days).

Because of additional bank borrowings and the reclassification of certain bank borrowings from long term to short term and high inventory level, the current ratio and the quick ratio as at 31 December 2008 reduced to approximately 1.0 (31 December 2007: 1.4) and 0.6 (31 December 2007: 1.0) respectively. At the same time, due to the reduction of cash inflow due to the global financial tsunami, gearing ratio in term of net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and minority interest) decreased to 51% (31 December 2007: 40%). Nevertheless, gearing ratios in terms of (i) bank borrowings to total assets and (ii) bank borrowings to total equity remained stable at approximately 36% (31 December 2007: 36%) and 70% (31 December 2007: 70%), respectively. In view of the continual support from existing bankers, the Group was able to obtain continuous financing resources for its operation.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no significant unfavorable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2008.

CHANGE IN STRUCTURE OF THE GROUP

In addition to the aforesaid acquisition of the entire equity interest held by those joint venture partners in a joint venture for the production and sale of sorbitol products, as announced by the Company and GSH on 4 July 2008, the entire equity interest of an indirect wholly owned subsidiary of the Company which operated a corn refinery plant in Liaoning Province, the PRC, had been transferred to a direct wholly-owned subsidiary of GSH at a consideration of HK$520 million. The Directors believe that the transfer created not only the synergy effect arising from the vertical integration of the corn sweeteners operation, but also improved the overall profitability of those facilities of GSH and its subsidiaries in Liaoning Province and Shanghai which is in turn beneficial to the Group.

PROSPECT

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

2009 shall be a year full of challenges. With the global financial tsunami and general slowdown of the world economy, the Group is expected to face a tough business environment in terms of economic situations in the PRC and abroad, especially in the first half of 2009. The Directors believe that those existing difficulties are considerable but surmountable. In view of various economic revitalisation proposals launched by the PRC government, the PRC is generally considered as one of the countries that will first recover from the world financial downturn, and the Directors expect that the Group's performance will be improved as over 70% of the Group's income is generated from businesses in the PRC. The Board will endeavor to manage the existing businesses and any new investment of the Group prudently in order to maximise the return and wealth to the Shareholders.

Polyol project

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

The Board is of the opinion that the PRC and other regions in Asia are markets with enormous potential for the polyol chemical products. In addition to the polyol chemical plant with an annual capacity of 210,000 metric tonnes in Changchun, the Board has the intention to further expand the Group's production capacity of polyol chemicals in order to capture such huge potential market. To facilitate such development, foundation work of a new production site in Xinglongshan of Changchun is now in progress. It is expected that the success in the polyol project will generate large contribution to the Group in foreseeable future.

Amino Acids

Currently, the aggregate annual planned production capacity of amino acids is around 460,000 metric tonnes and those facilities can be interchangeable to produce different amino acids or fermentation products. Meanwhile, steady growth demand in the PRC is expected when feed producers lift up their consumption rate of lysine to follow the national or western countries' indicated additive proportion in feed industry. With the continuous and strong demand growth in lysine products, the Group is utilising almost all fermentation facilities for the production of lysine products.

In addition, the Group is also dedicated to the research and development of many other high value-added amino acids, and cultivation of micro-organisms to improve the production yield to fuel our growth momentum.

STATUS OF INFRINGEMENT LITIGATIONS

Apart from the 337 investigation, the Company and certain of its subsidiaries are currently proposed respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, The Hague District Court, on 22 August 2007, handed down its judgment that the Group's L-lysine products had infringed two patents of third parties and issued orders (i) prohibiting the Group from further infringement and the offer for sale, import and/or trade of any infringing products, L-lysine products in the Netherlands with immediate effect and (ii) compensate the damages of the plaintiffs to be assessed by the court. The Directors believe the judgment to be incorrect and an appeal against the court's judgment had been lodged. For other litigations, the Directors have been advised by the Group's legal counsel that the Group has sufficient grounds to defend against the claims. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, there was no material contingent liability of the Group as at 31 December 2008.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2008, the Group had approximately 6,000 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production capability and development of new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

LIU Xiaoming aged 53, is the Co-Chairman of the Group. He is responsible for the Group's overall business development, as well as the formulation of corporate direction and strategies. He holds a bachelor's degree in chemical engineering from the Hua Nan Polytechnic University. Mr. Liu was appointed as an executive director of the Company in 2001.

XU Zhouwen aged 66, is the Co-Chairman of the Group. He is responsible for formulating and implementing the Group's product diversification strategies, managing the Group's product development and technology research, as well as supervising the Group's overall production and operations. He graduated from the Harbin Electric University in 1970. Mr. Xu was appointed as an executive director of the Company in 2001.

WANG Tieguang aged 44, is responsible for the Group's sales and marketing functions. He holds a bachelor's degree in economics from the University of Heilongjiang. Mr. Wang was appointed as an executive director of the Company in 2001.

NON-EXECUTIVE DIRECTORS

Patrick E BOWE aged 50, is the President of Cargill Sweeteners North America and is responsible for all aspects of Cargill's sweeteners business. He holds a master's degree in economics from Standford University, the United States and has over 25 years of experience in corn milling and sweetener operations. He was appointed as an non-executive director of the Company in 2002.

Steven C WELLINGTON (alternate director to Patrick E BOWE) aged 55, is the Business Development Manager of Cargill Sweeteners North America and is responsible for the development of corn milling exports and investment opportunities in Asia. He was appointed as an alternate director of Mr. Bowe in 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 48, is a Certified Public Accountant and has been practising since 1990. Graduated from the University of Sunderland, the United Kingdom, he holds a Bachelor of Arts Degree in Business Studies. He has over 20 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently a member of the Advisory Committee on Travel Agents and board member of the Ocean Park Corporation. He was appointed as an independent non-executive director of the Company in 2001. Mr. Lee is an independent non-executive director of FAVA International Holdings Limited and was an independent non-executive director of China Best Group Holding Limited (resigned on 21.8.2008), both are listed companies in Hong Kong.

CHAN Man Hon, Eric aged 52, is a solicitor and has been practising in Hong Kong for over 25 years. Mr. Chan holds a bachelor's degree in law from the University of Hong Kong and a master's degree in Business Administration from The Chinese University of Hong Kong. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1981 and is a consultant of Messrs. Vincent T. K. Cheung, Yap & Co. He was appointed as an independent non-executive director of the Company in 2001. Mr. Chan is an independent non-executive director of Emperor International Holdings Limited and a non-executive director of Southeast Asia Properties & Finance Limited, both are listed companies in Hong Kong.

LI Defa aged 54, is the Dean of the College of Animal Science and Technology, China Agricultural University. He has a Ph.D. in animal science from Kansas State University, the United States of America as well as a master's degree in animal science from Beijing Agricultural University. Before becoming the Dean of the College of Animal Science and Technology, China Agricultural University, Mr. Li had been a director of National Feed Engineering Technology Research Centre and Ministry of Agriculture Feed Industry Centre. He was appointed as an independent non-executive director of the Company in September 2004.

SENIOR MANAGEMENT

CHEUNG Chak Fung aged 44, 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 20 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial practice. He has worked with the Group since 2000.

LI Weigang aged 50, has a master's degree in banking and finance from the University of Wales, the United Kingdom, as well as a master's degree in economics from The Graduate School of Chinese Academy of Social Sciences. Prior to joining the Group as assistant general manager in 2001, Mr. Li has held senior positions in various financial institutions in the PRC, with responsibility in corporate finance and general management.

QI Hongbin aged 42, is the dean of design and research institute and director of development centre of the Group. He holds a master's degree from the Jilin Agricultural University, specialising in mechanical engineering. He has over 10 years' experience in process engineering and technology development. He joined the Group in 1996.

CHU Lalin aged 46, is the chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 20 years of experience in mechanical and food engineering. He joined the Group in 1996.

WANG Dehui aged 40, is the assistant chief engineer of the Group. He holds a master's degree in science from the Jilin Agricultural University and has extensive of experience in food engineering and organic engineering. He joined with the Group in 1997.

ZHANG Xiuzhen aged 64, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC. She joined the Group in 1996.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the Group's corporate governance guidelines and developments. It is our belief that, during the year ended 31 December 2008, the Group has endeavoured to comply with the relevant recommendations as laid down in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Corporate Governance Report as set out in Appendix 23 to the Listing Rules. The Board has also reviewed the Group's corporate governance practices and is satisfied that the Group has been in full compliance with all the code provisions of the Code throughout the Year.

In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 23 April 2009, the Company adopted the code provisions set out in the Code ("New CG Code") contained in Appendix 14 to the Listing Rules with retrospective effect from 1 January 2009.

THE BOARD

Member Attendance of Board and Committee Meetings for the year 2008

	Meetings Attended and Held		
	Board Meeting	Audit Committee	Remuneration Committee
Executive Directors			
Liu Xiaoming	8/8		
Xu Zhouwen	6/8		
Wang Tieguang	8/8		1/1
Non-Executive Directors			
Patrick E Bowe	0/8		
Steven C Wellington, (alternate director to Patrick E Bowe)	0/8		
Independent Non-Executive Directors			
Lee Yuen Kwong	3/8	2/3	1/1
Chan Man Hon, Eric	3/8	3/3	1/1
Li Defa	2/8	2/3	

As of the date of this report, the Board comprised seven Directors, being three executive Directors, one non-executive Director and three independent non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Detailed biographies outlining each individual Directors' range of specialist experience and expertise are set out in pages 8 to 9 of this report.

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

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Term of Appointment of Non-executive Directors

Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric were appointed as independent non-executive Directors on 1 March 2003. Under their current appointment letters, their appointments are for a term of two years commencing on 1 March 2009. Mr. Li Defa was appointed as independent non-executive Director on 16 September 2004. Under his current appointment letter, his appointment is for a term of two years commencing on 15 September 2008. Mr. Patrick E Bowe was appointed as a non-executive Director on 5 February 2002. Under his current appointment letter, his appointment is for a term of two years commencing on 6 April 2008.

DIRECTORS' REMUNERATION

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

	2008 **HK$'000**	2007 HK$'000
Fees	**840**	840
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**8,160**	9,600
Performance related bonuses	**10,000**	20,000
Pension scheme contributions	**26**	44
	18,186	29,644
Total	**19,026**	30,484

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 2008, the aggregate amount of the bonuses payable to the executive Directors was equivalent to 1.6% (2007: 2%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent Non-executive Directors

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

	2008 HK$'000	2007 HK$'000
Chan Man Hon, Eric	**360**	360
Lee Yuen Kwong	**360**	360
Li Defa	**120**	120
Total	**840**	840

There were no other emoluments payable to the independent non-executive Directors during the Year (2007: Nil).

(b) Executive Directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	**Performance scheme related bonuses HK$'000**	**Pension contributions HK$'000**	**Total remuneration HK$'000**
2008				
Executive Directors:				
Liu Xiaoming	**3,000**	**3,400**	**12**	**6,412**
Xu Zhouwen	**3,000**	**3,400**	**2**	**6,402**
Wang Tieguang	**2,160**	**3,200**	**12**	**5,372**
Total	**8,160**	**10,000**	**26**	**18,186**
2007				
Executive Directors:				
Liu Xiaoming	3,000	7,000	12	10,012
Xu Zhouwen	3,000	7,000	12	10,012
Wang Tieguang	2,160	6,000	12	8,172
Kong Zhanpeng*	1,440	—	8	1,448
Total	9,600	20,000	44	29,644

* Mr. Kong Zhanpeng resigned on 20 September 2007

The Board reviewed the nomination procedures and the process and criteria adopted by the Board to select and recommend candidates for directorship in one of the Board meeting during the year. All Directors were present at that meeting except Mr. Patrick E Bowe and Steven C Wellington (alternate non-executive director to Mr. Patrick E Bowe).

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. In light of various amendments to the Listing Rules, a revised written terms of reference of the Audit Committee by reference to the code provisions of the New CG Code were adopted on 23 April 2009 with retrospective effect from 1 January 2009. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa. Mr. Lee is the chairman of the Audit Committee. The Committee assists the Board in, among other matters, providing an independent and objective review of the effectiveness of the financial reporting process, internal control and risk management system as well as internal audit function of the Group. It primarily aims to increase the Board's accountability, transparency and objectivity.

The Audit Committee has reviewed with the management and the Company's auditors (i) the accounting principles and practises adopted by the Group and (ii) reviewed and discussed auditing, internal control and financial reporting matters including the interim results and the financial statements for the Year.

The Audit Committee met three times in 2008.

INTERNAL CONTROL

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

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

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

In September 2008, the Board has engaged Grant Thornton Certified Public Accountants to conduct a review of the effectiveness of the system of internal control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee. The Board has conducted a review of the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and Grant Thornton and considered that the internal control system and procedure of the Group were effective and adequate.

REMUNERATION COMMITTEE

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

In 2008, the Remuneration Committee held one meeting to review and approve the Directors' and senior management's remuneration packages.

REMUNERATION POLICY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. In light of various amendments to the Listing Rules, particularly the Model Code on 23 April 2009, the Company adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards under the revised Model Code. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct throughout the Year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2008, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgements and estimates that are appropriate, and prepared the accounts on the going concern basis.

The Group has announced its annual and interim results in a timely manner within the limits of 4 months and 3 months respectively after the end of the relevant period, as laid down in the Listing Rules.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, HK$6,680,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$3,752,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation compliance	95
Others	189
Total	284

COMMUNICATION WITH SHAREHOLDERS

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

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

Based on the information that is publicly available to the Group and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Group has maintained the prescribed amount of public float during the year 2008 and up to the date of this annual report as required by the Listing Rules.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2008.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2008.

23 April 2009

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the "Company"), its subsidiaries (collectively referred to as the "Group") and its share of each jointly-controlled entity for the year ended 31 December 2008.

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 17 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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 94.

An interim dividend of HK1.5 cents per ordinary share to shareholders was paid on 28 November 2008. The directors recommend the declaration of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 29 May 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 95. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, 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 ended 31 December 2008.

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year, no share option was granted pursuant to the share option scheme and no share option was outstanding as at 31 December 2008.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounting to approximately HK$2,871,687,000, of which approximately HK$23,188,000 had been proposed as a final dividend for the year. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$2,107,940,000 as at 31 December 2008 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 13% of the total sales for the year and sales to the largest customer included therein accounted for 4% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 51% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 40% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Liu Xiaoming
Xu Zhouwen
Wang 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

In accordance with Article 108 (A) of the Company's articles of association, Mr. Liu Xiaoming, Mr. Xu Zhouwen and Mr. Wang Tieguang, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa pursuant to Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive directors as independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 13 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Xiaoming, Mr. Wang Tieguang, and Mr. Xu Zhouwen have renewed the service contracts with the Company for an initial term of three years commencing on 1 March 2004 and expiring on 28 February 2007, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party giving not less than three months' notice in writing.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the annual report, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2008.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year ended 31 December 2008.

There was no contract of significance between the Company, or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2008.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the interests and short positions of the directors in the share and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	**Notes**	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Liu Xiaoming	1	13,636,000	349,320,000	362,956,000	15.65
Mr. Xu Zhouwen	2	17,254,000	211,040,000	228,294,000	9.85
Mr. Wang Tieguang	3	8,892,800	172,800,000	181,692,800	7.84
		39,782,800	733,160,000	772,942,800	33.34

Notes:

1. 349,320,000 shares are owned by LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.

2. 211,040,000 shares are owned by Crown Asia Profits Limited, a company incorporated in the BVI. The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen.

3. 172,800,000 shares are owned by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above, as at 31 December 2008, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 31 December 2008, 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:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
LXM Limited	1	349,320,000	15.06
Crown Asia Profits Limited	2	211,040,000	9.10
Mr. Kong Zhanpeng	3	185,840,000	8.01
Hartington Profits Limited	3	172,800,000	7.45
Rich Mark Profits Limited	4	172,800,000	7.45
FMR LLC	5	165,182,900	7.12

Notes:

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

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

3. These shares were held as to 13,040,000 shares by Mr. Kong Zhanpeng, a former executive director of the Company, and 172,800,000 shares by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng, one of the executive directors of Global Sweeteners Holdings Limited, a subsidiary group of the Group whose shares are listed on the Stock Exchange.

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

5. These shares are held by FMR LLC as investment manager.

Save as disclosed above, as at 31 December 2008, 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.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

ACQUISITION OF AN INTEREST IN A JOINTLY-CONTROLLED ENTITY

On 8 January 2008, Global Sweeteners (China) Limited, a subsidiary of the Company, entered into an acquisition agreement with Mitsui & Co., Ltd., Mitsui & Co., (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd. (collectively the "Mitsui Group"), the minority shareholders of Global Sorbitol (H.K.) Company Limited ("Sorbitol HK", previously known as Global-Nikken (H.K.) Company Limited), a jointly-controlled entity of the Group, to acquire their remaining 49% equity interest therein at a total cash consideration of US$2,450,000 (equivalent to approximately HK$19.1 million). Upon the completion of the acquisition, Sorbitol HK became a wholly-owned subsidiary of the Company. Further details of the transaction are included in note 30 to the financial statements.

Since immediately prior to the acquisition, the Mitsui Group was a minority shareholder of Sorbitol HK holding 49% of equity interest, it was a connected person of the Group and therefore the acquisition of equity interest from the Mitsui Group constituted a connected transaction under Chapter 14A of the Listing Rules.

Sales to the Mitsui Group

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, the Group sold some of its products to Mitsui & Co. (H.K.) Ltd. in its ordinary and usual course of business for an aggregate sum of approximately HK$9.9 million up to 17 February 2008. Mitsui Group was a connected person of the Company as it was a substantial shareholder of a subsidiary of the Company holding in aggregate a 49% interest in the share capital of that subsidiary. Mitsui Group ceased to be a connected person following the acquisition of the remaining interests in that subsidiary by Global Sweeteners (China) Limited during the year. The above sales transactions constituted connected transactions under Chapter 14A of the Listing Rules before the Mitsui Group ceased to be a connected person of the Company.

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) on normal commercial terms; (iii) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and (iv) no annual cap for the year ended 31 December 2008 has been disclosed in an announcement of the Company as each of the asset ratio, revenue ratio and consideration ratio (as determined by Rule 14.07 of the Listing Rules) in respect of the continuing connected transactions is on an annual basis less than 0.1%.

The related party transactions disclosed in note 34 to the financial statements are either exempt connected continuing transactions or non-exempt continuing connected transactions which have complied with the requirement of Chapter 14A of the Listing Rules.

Save as disclosed herein, there were no other transactions needed to be disclosed as connected transactions or continuing connected transactions in accordance with the requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, 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 A COMPETING BUSINESS

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

AUDITORS

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

ON BEHALF OF THE BOARD

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

Hong Kong
23 April 2009

ERNST & YOUNG
安永

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

We have audited the financial statements of Global Bio-chem Technology Group Company Limited set out on pages 33 to 94, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

23 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**8,810,004**	6,796,871
Cost of sales		**(7,059,277)**	(5,201,191)
Gross profit		**1,750,727**	1,595,680
Other income and gains	5	**199,321**	121,634
Excess over the cost of a business combination	30	**23,703**	—
Gain on the spin-off of a subsidiary group	31	**—**	270,913
Selling and distribution costs		**(542,586)**	(372,376)
Administrative expenses		**(287,266)**	(222,657)
Other expenses		**(80,348)**	(32,575)
Finance costs	7	**(359,441)**	(265,771)
PROFIT BEFORE TAX	6	**704,110**	1,094,848
Tax	10	**(31,295)**	(114,994)
PROFIT FOR THE YEAR		**672,815**	979,854
Attributable to:			
Equity holders of the Company	11	**621,777**	943,486
Minority interests		**51,038**	36,368
		672,815	979,854
DIVIDENDS	12		
Interim		**34,783**	23,188
Proposed final		**23,188**	46,377
		57,971	69,565
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK$0.268**	HK$0.407
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,979,390**	7,635,769
Prepaid land premiums	15	**536,650**	504,706
Deposits paid for acquisition of property, plant and equipment and land premiums		**231,102**	190,236
Goodwill	16	**348,428**	360,889
Long term loan to a jointly-controlled entity	18	**40,000**	40,000
Deferred tax assets	27	**2,192**	—
Total non-current assets		**10,137,762**	8,731,600
CURRENT ASSETS			
Inventories	19	**2,277,181**	1,245,823
Trade receivables	20	**1,128,924**	1,078,743
Prepayments, deposits and other receivables	21	**358,423**	285,699
Due from jointly-controlled entities	18	**1,373**	19,584
Tax recoverable		**29,182**	14,299
Cash and cash equivalents	22	**1,509,140**	2,021,812
Total current assets		**5,304,223**	4,665,960
CURRENT LIABILITIES			
Trade payables	23	**1,058,869**	468,994
Other payables and accruals	24	**783,282**	1,079,369
Interest-bearing bank and other borrowings	25	**3,416,562**	1,662,435
Tax payable		**38,269**	53,406
Total current liabilities		**5,296,982**	3,264,204
NET CURRENT ASSETS		**7,241**	1,401,756
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,145,003**	10,133,356
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**2,123,441**	3,140,668
Deferred income	26	**27,620**	27,480
Due to a venturer of a jointly-controlled entity	18	**20,000**	20,000
Deferred tax liabilities	27	**73,467**	59,189
Total non-current liabilities		**2,244,528**	3,247,337
Net assets		**7,900,475**	6,886,019

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	**231,885**	231,885
Reserves	29(a)	**7,132,648**	6,185,203
Proposed final dividend	12	**23,188**	46,377
		7,387,721	6,463,465
Minority interests		**512,754**	422,554
Total equity		**7,900,475**	6,886,019

Liu Xiaoming
Co- Chairman

Xu Zhouwen
Co- Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		231,885	1,820,199	80,718	76,495	228,087	2,795,623	46,377	5,279,384	—	5,279,384
Surplus on revaluation		—	—	60,374	—	—	—	—	60,374	—	60,374
Exchange realignment		—	—	—	—	249,780	—	—	249,780	—	249,780
Total income directly recognised in equity		—	—	60,374	—	249,780	—	—	310,154	—	310,154
Spin-off of a subsidiary group		—	—	—	—	—	—	—	—	386,186	386,186
Profit for the year		—	—	—	—	—	943,486	—	943,486	36,368	979,854
Final 2006 dividend paid		—	—	—	—	—	—	(46,377)	(46,377)	—	(46,377)
Share subscription and placement	28	—	6	—	—	—	—	—	6	—	6
Interim 2007 dividend	12	—	—	—	—	—	(23,188)	—	(23,188)	—	(23,188)
Proposed final 2007 dividend	12	—	—	—	—	—	(46,377)	46,377	—	—	—
Transfer from retained profits		—	—	—	82,956	—	(82,956)	—	—	—	—
At 31 December 2007		231,885	1,820,205*	141,092*	159,451*	477,867*	3,586,588*	46,377	6,463,465	422,554	6,886,019

	Note	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008		231,885	1,820,205	—	141,092	159,451	477,867	3,586,588	46,377	6,463,465	422,554	6,886,019
Exchange realignment		—	—	—	—	—	381,647	—	—	381,647	27,841	409,488
Total income directly recognised in equity		—	—	—	—	—	381,647	—	—	381,647	27,841	409,488
Establishment of a subsidiary		—	—	—	—	—	—	—	—	—	11,662	11,662
Acquisition of minority shares		—	—	—	—	—	—	—	—	—	(341)	(341)
Profit for the year		—	—	—	—	—	—	621,777	—	621,777	51,038	672,815
Equity-settled share option arrangement of a subsidiary group		—	—	1,992	—	—	—	—	—	1,992	—	1,992
Final 2007 dividend paid		—	—	—	—	—	—	—	(46,377)	(46,377)	—	(46,377)
Interim 2008 dividend	12	—	—	—	—	—	—	(34,783)	—	(34,783)	—	(34,783)
Proposed final 2008 dividend	12	—	—	—	—	—	—	(23,188)	23,188	—	—	—
Transfer from retained profits		—	—	—	—	77,962	—	(77,962)	—	—	—	—
At 31 December 2008		231,885	1,820,205*	1,992*	141,092*	237,413*	859,514*	4,072,432*	23,188	7,387,721	512,754	7,900,475

Certain subsidiaries, which are established in the PRC as wholly-owned foreign investment enterprises, are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserves 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.

* These reserve accounts comprise the consolidated reserves of the Group of HK$7,132,648,000 (2007: HK$6,185,203,000) on the consolidated balance sheet as at 31 December 2008.

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**704,110**	1,094,848
Adjustments for:			
Finance costs	7	**359,441**	265,771
Excess over the cost of a business combination	30	**(23,703)**	—
Bank interest income	5	**(23,762)**	(34,744)
Gain on disposal of items of property, plant and equipment	5	**(1,682)**	(3,229)
Gain on the spin-off of a subsidiary group	31	**—**	(270,913)
Depreciation	6	**457,288**	362,511
Amortisation of prepaid land premiums	6	**16,241**	15,839
Impairment of trade receivables	6	**4,022**	2,053
Impairment of other receivables	6	**—**	1,723
Write-down of inventories to net realisable value	6	**71,184**	13,888
Write-back of trade payables and other payables overaccrued in previous years		**(7,506)**	(13,311)
Amortisation of deferred income	26	**(2,020)**	(625)
Equity-settled share option arrangement of a subsidiary group		**1,992**	—
Goodwill impairment	6	**12,461**	—
		1,568,066	1,433,811
Increase in inventories		**(1,101,247)**	(618,313)
Increase in trade receivables		**(49,338)**	(683,887)
Decrease/(increase) in prepayments, deposits and other receivables		**(72,287)**	95,130
Increase in trade payables		**589,350**	213,159
Decrease in other payables and accruals		**(377,720)**	(3,969)
Repayments from jointly-controlled entities		**2,228**	3,955
Cash generated from operations		**559,052**	439,886
Interest received		**23,762**	34,744
Hong Kong profits taxes refund/(paid)		**6,827**	(10,933)
Overseas taxes paid		**(57,693)**	(63,008)
Net cash inflow from operating activities		**531,948**	400,689

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities		**531,948**	400,689
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,049,678)**	(998,037)
Proceeds from disposal of items of property, plant and equipment		**9,252**	10,128
Payment of land premiums	15	**(9,831)**	(2,714)
Proceeds from establishment of a 40% owned subsidiary		**11,662**	—
Business combination	30	**(18,420)**	—
Acquisition of minority shares		**(341)**	—
Net cash outflow from investing activities		**(1,057,356)**	(990,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**—**	6
Proceeds from the spin-off of a subsidiary group	31	**—**	657,099
New bank loans		**5,221,993**	5,644,481
Repayment of bank loans		**(4,810,638)**	(3,805,156)
Repayment of other loans		**(4,723)**	(1,187,278)
Interest paid		**(407,366)**	(267,814)
Dividends paid		**(81,160)**	(69,565)
Net cash inflow/(outflow) from financing activities		**(81,894)**	971,773
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(607,302)**	381,839
Cash and cash equivalents at beginning of year		**2,021,812**	1,630,041
Effect of foreign exchange rate changes, net		**94,630**	9,932
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,509,140**	2,021,812
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	22		
Cash and bank balances		**1,161,234**	1,988,328
Non-pledged time deposits with original maturity of less than three months when acquired		**347,906**	33,484
		1,509,140	2,021,812

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**382,316**	326,534
Total non-current assets		**382,316**	326,534
CURRENT ASSETS			
Due from subsidiaries	17	**3,233,612**	2,905,224
Prepayments, deposits and other receivables	21	**390**	425
Cash and cash equivalents	22	**315,819**	451,393
Total current assets		**3,549,821**	3,357,042
CURRENT LIABILITIES			
Other payables and accruals	24	**9,050**	15,522
Interest-bearing bank borrowings	25	**193,750**	—
Total current liabilities		**202,800**	15,522
NET CURRENT ASSETS		**3,347,021**	3,341,520
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,729,337**	3,668,054
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**581,250**	445,625
Financial guarantee contracts		**44,515**	18,125
Total non-current liabilities		**625,765**	463,750
Net assets		**3,103,572**	3,204,304
EQUITY			
Issued capital	28	**231,885**	231,885
Reserves	29(b)	**2,848,499**	2,926,042
Proposed final dividend	12	**23,188**	46,377
Total equity		**3,103,572**	3,204,304

Liu Xiaoming
Co- Chairman

Xu Zhouwen
Co- Chairman

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, 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.

During the prior year, certain subsidiaries of the Group underwent a group reorganisation (the "Group Reorganisation") for the purpose of the spin-off. These subsidiaries were principally engaged in the manufacture and sale of corn sweeteners in Mainland China. Global Sweeteners Holdings Limited ("Global Sweeteners") became the holding company of this subsidiary group (the "Global Sweeteners Group") on 24 August 2007 upon the completion of the Group Reorganisation. On 20 September 2007, the shares of Global Sweeteners were listed on the Main Board of the Stock Exchange. Global Sweeteners continues to be the Group's subsidiary.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries (collectively referred to as the "Group") and its share of each jointly-controlled entity for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and* HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving disclosures about financial instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC)- Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded derivatives*[5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[6]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfers of assets from customers received on or after 1 July 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

Jointly-controlled entities

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

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

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

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

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

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

(b) the party is a jointly-controlled entity;

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

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

Operating leases

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

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

Investments and other financial assets

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

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with *HKAS 18 Revenue*.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the balance sheets, 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.

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 consolidated income statement.

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

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, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- 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 reassessed at each balance sheet date and 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.

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.

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

2.3 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 credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

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

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

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension schemes and other retirement benefits

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 consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

The functional currencies of PRC subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated cash flow statement, the cash flows of PRC subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of PRC subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification of the Union Company as a third party

One of the major suppliers of the Group is a company beneficially owned by the staff union of the Group's PRC employees (the "Union Company"). The total purchase from the Union Company accounted for approximately 66% of the total corn kernels purchased by the Group for the year. Since none of the directors nor senior management has been taken part for the operations of this Union Company, and none of the Company's directors could exercise control over this Union Company, this Union Company is regarded as a third party to the Group.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$348,428,000 (2007: HK$360,889,000). More details are given in note 16 to the financial statements.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of property, plant and equipment. This requires an estimation of the value in use of property, plant and equipment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 31 December 2008 was HK$8,979,390,000 (2007: HK$7,635,769,000). Further details are given in note 14.

Impairment of trade receivables

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

Allowances for inventories

The Group reviews an aged analysis of its inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2008, the carrying amount of inventories was approximately HK$2,277,181,000 after netting off the allowance for inventories of approximately HK$89,034,000.

4. 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 chemical 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 disclosed below.

4. SEGMENT INFORMATION (CONTINUED)

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

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group	Corn refined products 2008 HK$'000	Corn refined products 2007 HK$'000	Corn based biochemical products 2008 HK$'000	Corn based biochemical products 2007 HK$'000	Eliminations 2008 HK$'000	Eliminations 2007 HK$'000	Consolidated 2008 HK$'000	Consolidated 2007 HK$'000
Segment revenue:								
Sales to external customers	**2,737,232**	1,882,646	**6,072,772**	4,914,225	**—**	—	**8,810,004**	6,796,871
Intersegment sales	**2,762,150**	2,258,969	**—**	—	**(2,762,150)**	(2,258,969)	**—**	—
Total	**5,499,382**	4,141,615	**6,072,772**	4,914,225	**(2,762,150)**	(2,258,969)	**8,810,004**	6,796,871
Segment results	**452,813**	342,160	**558,526**	1,014,817	**—**	—	**1,011,339**	1,356,977
Unallocated revenue							**199,321**	74,433
Unallocated expenses							**(147,109)**	(70,791)
Profit from operating activities							**1,063,551**	1,360,619
Finance costs							**(359,441)**	(265,771)
Profit before tax							**704,110**	1,094,848
Tax							**(31,295)**	(114,994)
Profit for the year							**672,815**	979,854
Attributable to:								
Equity holders of the Company							**621,777**	943,486
Minority interests							**51,038**	36,368
							672,815	979,854
Assets and liabilities								
Segment assets	**3,561,180**	3,589,432	**9,429,283**	7,711,185	**—**	—	**12,990,463**	11,300,617
Due from jointly-controlled entities							**41,373**	59,584
Unallocated assets							**2,410,149**	2,037,359
Total assets							**15,441,985**	13,397,560
Segment liabilities	**329,342**	289,910	**1,174,788**	919,137	**—**	—	**1,504,130**	1,209,047
Interest-bearing bank and other borrowings							**5,540,003**	4,803,103
Unallocated liabilities							**497,377**	499,391
Total liabilities							**7,541,510**	6,511,541
Capital expenditure, including payment of land premiums	**83,424**	107,526	**1,193,943**	927,430	**—**	—	**1,277,367**	1,034,956
Depreciation	**132,229**	108,256	**325,059**	254,255	**—**	—	**457,288**	362,511
Amortisation of prepaid land premiums	**4,623**	4,458	**11,618**	11,381	**—**	—	**16,241**	15,839
Impairment/(write-back) of trade receivables	**(2,050)**	2,053	**6,072**	—	**—**	—	**4,022**	2,053
Impairment of other receivables	**—**	1,723	**—**	—	**—**	—	**—**	1,723
Write-down of inventories to net realisable value	**5,024**	842	**66,160**	13,046	**—**	—	**71,184**	13,888
Impairment of goodwill	**—**	—	**12,461**	—	**—**	—	**12,461**	—
Gain on the spin-off of a subsidiary group	**—**	—	**—**	270,913	**—**	—	**—**	270,913
Excess over the cost of a business combination	**—**	—	**23,703**	—	**—**	—	**23,703**	—

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following table presents revenue and certain expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group	Mainland China		Countries other than Mainland China		Eliminations		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment revenue:								
Sales to external customers	**6,731,998**	5,295,413	**2,078,006**	1,501,458	**—**	—	**8,810,004**	6,796,871
Other segment information:								
Capital expenditure, including payments of land premiums	**1,277,367**	1,034,956	**—**	—	**—**	—	**1,277,367**	1,034,956
Depreciation	**456,321**	361,896	**967**	615	**—**	—	**457,288**	362,511
Amortisation of prepaid land premiums	**15,795**	15,393	**446**	446	**—**	—	**16,241**	15,839
Impairment of trade receivables	**4,022**	2,053	**—**	—	**—**	—	**4,022**	2,053
Impairment of other receivables	**—**	1,723	**—**	—	**—**	—	**—**	1,723
Write-down of inventories to net realisable value	**71,184**	13,888	**—**	—	**—**	—	**71,184**	13,888
Impairment of goodwill	**12,461**	—	**—**	—	**—**	—	**12,461**	—
Gain on the spin-off of a subsidiary group	**—**	—	**—**	270,913	**—**	—	**—**	270,913
Excess over the cost of a business combination	**23,703**	—	**—**	—	**—**	—	**23,703**	—

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Sales of goods	**8,810,004**	6,796,871
Other income		
Bank interest income	**23,762**	34,744
Net profit arising from the sales of packing materials and by-products	**44,321**	19,926
Government grants*	**20,412**	7,707
Sales of utilities	**—**	2,474
Others	**12,817**	17,093
	101,312	81,944
Gains		
Exchange differences	**96,327**	36,461
Gain on disposal of items of property, plant and equipment	**1,682**	3,229
	199,321	121,634

* Government grants represented sundry taxes refund awarded to certain subsidiaries located in Mainland China according to the notice of local tax bureau on an annual basis.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Raw materials and consumables used		**4,795,310**	3,830,418
Depreciation	14	**457,288**	362,511
Amortisation of prepaid land premiums	15	**16,241**	15,839
Research and development costs		**9,425**	3,229
Auditors' remuneration		**4,280**	4,200
Employee benefits expenses			
(including directors' remuneration (note 8)):			
Wages and salaries		**136,206**	136,582
Pension scheme contributions		**22,386**	17,526
		158,592	154,108
Impairment of goodwill	16	**12,461**	—
Impairment of trade receivables		**4,022**	2,053
Impairment of other receivables		**—**	1,723
Write-down of inventories to net realisable value#		**71,184**	13,888

Included in "Cost of sales" in the consolidated income statement.

7. FINANCE COSTS

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Interest on bank loans wholly repayable within five years		**407,134**	274,663
Finance costs for discounted notes receivable		**10,479**	9,164
		417,613	283,827
Less: Interest capitalised	14	**(49,064)**	(15,018)
Interest subsidies*		**(9,108)**	(3,038)
		359,441	265,771

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

8. DIRECTORS' REMUNERATION

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

		Group	
	Notes	**2008 HK$'000**	2007 HK$'000
Fees	(a)	**840**	840
Other emoluments:	(b)		
Basic salaries, housing benefits, other allowances and benefits in kind		**8,160**	9,600
Performance related bonuses		**10,000**	20,000
Pension scheme contributions		**26**	44
		18,186	29,644
		19,026	30,484

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to performance related bonuses. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2008, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 1.6% (2007: 2%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent non-executive directors

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

	2008 HK$'000	2007 HK$'000
Mr. Chan Man Hon, Eric	**360**	360
Mr. Lee Yuen Kwong	**360**	360
Mr. Li Defa	**120**	120
	840	840

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008				
Executive directors:				
Mr. Liu Xiaoming	**3,000**	**3,400**	**12**	**6,412**
Mr. Xu Zhouwen	**3,000**	**3,400**	**2**	**6,402**
Mr. Wang Tieguang	**2,160**	**3,200**	**12**	**5,372**
Total	**8,160**	**10,000**	**26**	**18,186**
2007				
Executive directors:				
Mr. Liu Xiaoming	3,000	7,000	12	10,012
Mr. Xu Zhouwen	3,000	7,000	12	10,012
Mr. Wang Tieguang	2,160	6,000	12	8,172
Mr. Kong Zhanpeng	1,440	—	8	1,448
Total	9,600	20,000	44	29,644

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

Mr. Kong Zhanpeng resigned as a director on 20 September 2007.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2007: four) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2007: one) non-director, highest paid employees for the year are as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**2,344**	1,200
Pension scheme contributions	**—**	—
	2,344	1,200

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

	Number of employees	
	2008	2007
HK$1,000,001 to HK$1,500,000	**2**	1

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008 **HK$'000**	2007 HK$'000
Current — Hong Kong	**(420)**	(36)
Current — Mainland China	**22,771**	101,816
Deferred (note 27)	**8,944**	13,214
Total tax charge for the year	**31,295**	114,994

10. TAX (CONTINUED)

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

Group — 2008	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	(95,643)		799,753		704,110	
Tax at the statutory rate	(15,781)	16.5	199,938	25.0	184,157	26.2
Preferential tax rate offered (note (a))	—	—	(93,573)	(11.7)	(93,573)	(13.3)
Lower tax rate for tax relief granted (note (b))	—	—	(54,812)	(6.8)	(54,812)	(7.8)
Income not subject to tax	(1,577)	1.6	(21,363)	(2.6)	(22,940)	(3.3)
Tax losses not recognised	5,344	(5.6)	8,953	1.1	14,297	1.9
Expenses not deductible for tax	11,594	(12.1)	16,343	2.0	27,937	4.0
Tax losses utilised from previous periods	—	—	(8,018)	(1.0)	(8,018)	(1.1)
Tax deduct from purchase of domestic equipments	—	—	(21,370)	(2.7)	(21,370)	(3.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries (note 27)	—	—	5,617	0.7	5,617	0.8
Tax charge at the Group's effective rate	(420)	0.4	31,715	4.0	31,295	4.4

10. TAX (CONTINUED)

Group — 2007	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	84,689		1,010,159		1,094,848	
Tax at the statutory rate	14,821	17.5	333,352	33.0	348,173	31.8
Preferential tax rate offered (note (a))	—	—	(181,829)	(18.0)	(181,829)	(16.6)
Lower tax rate for tax relief granted (note (b))	—	—	(37,339)	(3.7)	(37,339)	(3.4)
Income not subject to tax	(18,647)	(22.0)	(22,317)	(2.2)	(40,964)	(3.7)
Tax losses not recognised	715	0.8	16,642	1.6	17,357	1.5
Expenses not deductible for tax	6,384	7.5	4,045	0.4	10,429	1.0
Effect on deferred tax liabilities due to changes in tax rates	—	—	13,095	1.3	13,095	1.2
Tax losses utilised from previous periods	—	—	(10,619)	(1.0)	(10,619)	(1.0)
Tax charge at the Group's effective rate	3,273	3.8	115,030	11.4	118,303	10.8
Reversal of over-accrued tax related to the prior year	(3,309)	(3.9)	—	—	(3,309)	(0.3)
Total tax charge for the year	(36)	(0.1)	115,030	11.4	114,994	10.5

As at 1 January 2008, the Enterprise Income Tax Law of the People's Republic of China (the "EITL") became effective; therefore, the statutory tax rate for all subsidiaries in Mainland China is 25% for the current year (2007: 33%).

(a) Nine (2007: five) subsidiaries and a jointly-controlled entity were subject to tax concessions in 2008. The total taxable profit of the subsidiaries and the jointly-controlled entity that are subject to tax concessions amounted to approximately HK$853,969,000 (2007: HK$560,799,000) in aggregate. They were granted tax concessions by the state tax bureau in accordance with the EITL effective from 1 January 2008 and the corresponding transitional tax concession policy under which these subsidiaries would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

10. TAX (CONTINUED)

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$19,572,000 (2007: profit of HK$374,673,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Interim — HK1.5 cents (2007: HK1.0 cent) per ordinary share	**34,783**	23,188
Proposed final — HK1.0 cent (2007: HK2.0 cents) per ordinary share	**23,188**	46,377
	57,971	69,565

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.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to ordinary equity holders of the Company of approximately HK$621,777,000 (2007: HK$943,486,000), and on 2,318,849,403 (2007: 2,318,849,403) ordinary shares in issue during the year.

Since there were no significant dilutive potential ordinary shares outstanding as at 31 December 2008 and 2007, no diluted earnings per share amounts were presented for the years ended 31 December 2008 and 2007.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008					
At 31 December 2007 and at 1 January 2008:					
Cost or valuation	3,084,763	4,495,802	119,130	1,232,814	8,932,509
Accumulated depreciation	(182,007)	(1,043,326)	(71,407)	—	(1,296,740)
Net carrying amount	2,902,756	3,452,476	47,723	1,232,814	7,635,769
At 1 January 2008, net of accumulated depreciation	2,902,756	3,452,476	47,723	1,232,814	7,635,769
Additions	53,620	40,288	22,604	1,058,552	1,175,064
Business combination (note 30)	12,476	29,467	380	1,462	43,785
Disposals	(723)	(6,316)	(462)	(69)	(7,570)
Depreciation provided during the year	(91,692)	(338,224)	(27,372)	—	(457,288)
Transfers	181,844	496,718	90	(678,652)	—
Exchange realignment	216,014	181,026	3,545	189,045	589,630
At 31 December 2008, net of accumulated depreciation	3,274,295	3,855,435	46,508	1,803,152	8,979,390
At 31 December 2008:					
Cost or valuation	3,562,780	5,315,583	150,167	1,803,152	10,831,682
Accumulated depreciation	(288,485)	(1,460,148)	(103,659)	—	(1,852,292)
Net carrying amount	3,274,295	3,855,435	46,508	1,803,152	8,979,390
Analysis of cost or valuation:					
At cost	478,017	5,315,583	150,167	1,803,152	7,746,919
At 31 December 2007 valuation	3,084,763	—	—	—	3,084,763
	3,562,780	5,315,583	150,167	1,803,152	10,831,682

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007					
At 31 December 2006 and at 1 January 2007:					
Cost or valuation	2,270,236	3,383,975	104,226	1,503,375	7,261,812
Accumulated depreciation	(100,495)	(730,304)	(54,506)	—	(885,305)
Net carrying amount	2,169,741	2,653,671	49,720	1,503,375	6,376,507
At 1 January 2007, net of accumulated depreciation	2,169,741	2,653,671	49,720	1,503,375	6,376,507
Additions	22,718	31,828	16,638	1,077,864	1,149,048
Surplus on revaluation	88,374	—	—	—	88,374
Disposals	—	(3,398)	(3,501)	—	(6,899)
Depreciation provided during the year	(74,562)	(268,844)	(19,105)	—	(362,511)
Transfers	567,034	868,640	865	(1,436,539)	—
Exchange realignment	129,451	170,579	3,106	88,114	391,250
At 31 December 2007, net of accumulated depreciation	2,902,756	3,452,476	47,723	1,232,814	7,635,769
At 31 December 2007:					
Cost or valuation	3,084,763	4,495,802	119,130	1,232,814	8,932,509
Accumulated depreciation	(182,007)	(1,043,326)	(71,407)	—	(1,296,740)
Net carrying amount	2,902,756	3,452,476	47,723	1,232,814	7,635,769
Analysis of cost or valuation:					
At cost	—	4,495,802	119,130	1,232,814	5,847,746
At 31 December 2007 valuation	3,084,763	—	—	—	3,084,763
	3,084,763	4,495,802	119,130	1,232,814	8,932,509

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

At 31 December 2007, the Group's leasehold buildings were revalued on an open market value basis by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at about HK$3,084,763,000. A surplus on revaluation of about HK$88,374,000 arising from the 2007 valuation net of deferred tax liabilities of HK$14,905,000 had been credited to the asset revaluation reserve during the year ended 31 December 2007. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2008, no revaluation has been performed as at this date.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Prior to its transfer to other categories of property, plant and equipment, the carrying amount of construction in progress included capitalised interest of approximately HK$49,064,000 (2007: HK$15,018,000).

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$3,111,609,000 (2007: HK$2,740,070,000).

At 31 December 2008, certain leasehold buildings and prepaid land premiums of the Group were pledged to secure banking facilities granted to the Group amounting to approximately HK$20,990,000 (2007: HK$21,070,000) (note 25).

At 31 December 2008, the Group has not obtained building certificates for certain leasehold buildings with a total carrying amount of HK$1,974,757,000 (2007: HK$1,644,199,000). The directors considered that there were no potential risks given the Group has obtained all certificates for the underlying land use rights.

15. PREPAID LAND PREMIUMS

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**520,545**	508,763
Additions	**9,831**	2,714
Amortised during the year	**(16,241)**	(15,839)
Business combination (note 30)	**6,158**	—
Exchange realignment	**32,598**	24,907
Carrying amount at 31 December	**552,891**	520,545
Current portion included in prepayments, deposits and other receivables	**(16,241)**	(15,839)
Non-current portion	**536,650**	504,706

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

At 31 December 2008, the Group has not obtained a land use right certificate for prepaid land premiums with a total carrying amount of HK$114,722,000 (2007: Nil). The Group is in the process of applying for a stamp duty refund together with the land use right certificate for this piece of land which is expected to take a longer period of time than simply applying for the land use right certificate.

16. GOODWILL

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January:		
Cost	**360,889**	360,889
Accumulated impairment	**—**	—
Net carrying amount at 1 January	**360,889**	360,889
Cost at 1 January, net of accumulated impairment	**360,889**	360,889
Impairment during the year	**(12,461)**	—
Cost and carrying amount at 31 December	**348,428**	360,889
At 31 December:		
Cost	**360,889**	360,889
Accumulated impairment	**(12,461)**	—
Net carrying amount at 31 December	**348,428**	360,889

The impairment loss of HK$12,461,000 was recognised for the goodwill arising from the acquisition of Modified Starch in the current year.

Impairment testing of goodwill

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

	Goodwill
	HK$'000
Corn refinery plants	162,640
Lysine plants	25,927
Changchun Dihao Foodstuff Development Co., Ltd.	155,986
Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd. ("Modified Starch")	12,461
Global Polyol Investments Limited	3,875
	360,889

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rates applied to cash flow projections are 11% (2007: 7.1%). No growth has been projected beyond the five-year period.

16. GOODWILL (CONTINUED)

Key assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

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

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

Modified Starch is a plant located in Mainland China which is engaged in manufacture and sale of corn based biochemical products. The recoverable amount of Modified Starch has been determined based on a value in use calculation using a fifteen-year period cash flow projections and the discount rate applied to cash flow projections is 11% for 2008 (2007: 7.1%). Due to the change of discount rate applied, an impairment loss of HK$12,461,000 for the goodwill in relation to Modified Starch was recognised in the current year.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**382,316**	326,534

The amounts due from subsidiaries included in the Company's current assets of HK$3,233,612,000 (2007: HK$2,905,224,000) are unsecured, interest-free and have no fixed terms of repayment.

17. 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				
Global Sweeteners	Cayman Islands	Ordinary HK$104,500,000	67	Investment holding
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	Mainland China	RMB193,000,000	100	Investment holding
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100	Trading of corn refined products and corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.#	Mainland China	RMB153,940,000	100	Manufacture and sale of corn refined products
Changchun Jincheng Corn Development Co., Ltd.#	Mainland China	RMB98,700,000	100	Manufacture and sale of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.*	Mainland China	US$40,000,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.* ("Jinzhou Yuancheng")	Mainland China	US$44,034,000	67	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	Mainland China	US$2,668,000	67	Manufacture and sale of corn based sweeteners
Changchun Dihao Foodstuff Development Co., Ltd.*	Mainland China	RMB81,000,000	67	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	Mainland China	US$16,200,000	67	Manufacture and sale of crystallised sugar
Changchun Baocheng Bio-chem Development Co., Ltd.#	Mainland China	US$12,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.#	Mainland China	RMB154,645,600	100	Manufacture and sale of corn based biochemical products

17. 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 Fermentation Technology Development Co., Ltd.*	Mainland China	US$43,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng New Polyol Development Co., Ltd*	Mainland China	US$2,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.*	Mainland China	US$40,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd.#	Mainland China	RMB99,250,000	100	Manufacture and sale of corn based biochemical products
Changchun GBT Bio-Chemical Co., Ltd.*	Mainland China	US$62,000,000	100	Manufacture and sale of corn based biochemical products
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.*	Mainland China	HK$18,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-tech Development Co., Ltd.*	Mainland China	RMB556,150,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Dacheng Food Development Co., Ltd.*	Mainland China	US$2,770,000	67	Manufacture and sale of corn based sweetener products
Changchun Dacheng Polyols Co., Ltd.*@ (previously known as Changchun Dacheng Nikken Polyols Co., Ltd.) ("Sorbitol Changchun")	Mainland China	US$6,000,000	67	Manufacture and sale of sorbitol products

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

@ Acquired/established during the year.

\# Registered as Sino-foreign enterprises under the Mainland China laws.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the year, the Group acquired a 49% equity interest in Global Sorbitol (H.K.) Company Limited ("Sorbitol HK" and previously known as Global-Nikken (H.K.) Company Limited.), a then jointly-controlled entity of the Group, from Mitsui & Co., Ltd., Mitsui & Co., (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd. Following the acquisition, Sorbitol Changchun, a wholly owned subsidiary of Sorbitol HK, became a subsidiary of the Group.

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

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A VENTURER OF A JOINTLY-CONTROLLED ENTITY

	Group	
	2008 **HK$'000**	2007 HK$'000
Long term loan advanced to a jointly-controlled entity	**40,000**	40,000
Short term balances due from jointly-controlled entities	**1,373**	19,584
Due to a venturer of a jointly-controlled entity	**20,000**	20,000

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

The short term balances due from jointly-controlled entities are unsecured, interest-free and are repayable within one year. The carrying amounts of the short term balances approximate to their fair values.

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

Particulars of the jointly-controlled entities are as follows:

		Percentage of		
Name	**Place of incorporation/ registration**	**Ownership interest**	**Voting power and profit sharing**	**Principal activities**
Global Bio-chem-Cargill (Holdings) Limited ("Cargill-HK")	Hong Kong	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd. ("Cargill Shanghai")	Mainland China	50	50	Manufacture and sale of high fructose corn syrup

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A VENTURER OF A JOINTLY-CONTROLLED ENTITY (CONTINUED)

The above investments in jointly-controlled entities are indirectly held by the Company through Global Sweeteners, in which the Company holds a 67.03% equity interest.

Following the acquisition of the 49% interest in Sorbitol HK during the year, a then jointly-controlled entity of the Group, Sorbitol HK and its subsidiary became subsidiaries of the Group and were no longer the jointly-controlled entities of the Group. Please see note 30 for details.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities, which has been proportionately consolidated:

	Group	
	2008	2007
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**58,802**	71,717
Non-current assets	**19,146**	70,246
Current liabilities	**(25,542)**	(53,336)
Non-current liabilities	**—**	—
Net assets	**52,406**	88,627
Share of the jointly-controlled entities' results:		
Revenue	**139,733**	173,846
Other income	**1,702**	2,175
Total revenue	**141,435**	176,021
Total expenses	**(134,554)**	(167,263)
Tax	**(1,204)**	—
Profit after tax	**5,677**	8,758

19. INVENTORIES

	Group 2008 HK$'000	2007 HK$'000
Raw materials	**1,506,868**	815,220
Finished goods	**770,313**	430,603
	2,277,181	1,245,823

As at 31 December 2008, certain inventories were written down to net realisable value which amounted to approximately HK$259,474,000 (2007: HK$92,981,000).

20. TRADE RECEIVABLES

	Group 2008 HK$'000	2007 HK$'000
Trade receivables	**1,144,471**	1,089,440
Impairment	**(15,547)**	(10,697)
	1,128,924	1,078,743

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

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

	Group 2008 HK$'000	2007 HK$'000
Within 1 month	**293,949**	615,690
1 to 2 months	**173,156**	250,522
2 to 3 months	**100,029**	92,293
Over 3 months	**561,790**	120,238
	1,128,924	1,078,743

20. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**10,697**	11,538
Impairment losses recognised	**4,022**	2,053
Amount written off as uncollectible	**—**	(3,616)
Exchange realignment	**828**	722
	15,547	10,697

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$15,547,000 (2007: HK$10,697,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**567,134**	958,505
Less than 1 month past due	**410,672**	67,071
1 to 3 months past due	**151,118**	53,167
	1,128,924	1,078,743

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

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Prepayments	**72,320**	121,219	**390**	294
Deposits and other receivables	**286,103**	164,480	**—**	131
	358,423	285,699	**390**	425

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

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash and bank balances	**1,161,234**	1,988,328	**315,819**	451,393
Time deposits	**347,906**	33,484	**—**	—
Cash and cash equivalents	**1,509,140**	2,021,812	**315,819**	451,393

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$696,692,000 (2007: HK$911,243,000). 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.

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

23. TRADE PAYABLES

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

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within 1 month	**787,185**	361,509
1 to 2 months	**110,484**	28,106
2 to 3 months	**46,343**	13,108
Over 3 months	**114,857**	66,271
	1,058,869	468,994

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Payables for purchases of machinery	**109,929**	185,468	**—**	—
Customer deposits/receipts in advance	**289,926**	425,752	**—**	—
Consideration payable for acquisition of Dacheng Industrial*	**202,988**	306,238	**—**	—
Accruals	**55,979**	85,725	**3,870**	698
Others	**124,460**	76,186	**5,180**	14,824
	783,282	1,079,369	**9,050**	15,522

* It represented the unpaid consideration for the acquisition of Dacheng Industrial in 2005. The amount is unsecured, interest-free and has no fixed terms of repayment.

Save as disclosed above, other payables are non-interest-bearing and have an average repayment term of three months.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — secured	5.38	2009	1,834	5.38	2008	1,711
Bank loans — unsecured	6.03–8.1/ HIBOR	2009	3,414,728	5.48–7.29	2008	1,656,001
Other loans — unsecured	—	—	—	—	2008	4,723
			3,416,562			1,662,435
Non-current						
Bank loans — secured	5.38	2010–2011	3,281	5.38	2009–2011	5,200
Bank loans — unsecured	6.30–7.56/ LIBOR +5.1%	2010	2,105,407	6.30–8.16/ LIBOR +0.88%	2009–2011	3,135,468
Other loans — unsecured	—	2018–2019	14,753	—	—	—
			2,123,441			3,140,668
			5,540,003			4,803,103

Company

	2008			2007		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — unsecured	LIBOR +5.1%	2009	193,750	—	—	—
			193,750			—
Non-current						
Bank loans — secured	LIBOR +5.1%	2010	581,250	LIBOR +0.88%	2009	445,625
			581,250			445,625
			775,000			445,625

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**3,416,562**	1,657,712	**193,750**	—
In the second year	**2,108,688**	2,981,113	**581,250**	445,625
In the third to fifth years, inclusive	**—**	159,555	**—**	—
	5,525,250	4,798,380	**775,000**	445,625
Other borrowings repayable:				
Within one year or on demand	**—**	4,723	**—**	—
Beyond five years	**14,753**	—	**—**	—
	14,753	4,723	**—**	—
	5,540,003	4,803,103	**775,000**	445,625

At 31 December 2008, the Group's mortgage loan facility was secured by certain leasehold buildings and prepaid land premiums amounting to approximately HK$20,990,000 (2007: HK$21,070,000).

At 31 December 2008, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with the amounts of approximately HK$6,092,888,000 (2007: HK$4,627,045,000) and approximately HK$814,607,000 (2007: HK$673,100,000), respectively.

26. DEFERRED INCOME

The table below presents the movements of deferred income:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**27,480**	26,451
Amortised during the year	**(2,020)**	(625)
Exchange realignment	**2,160**	1,654
At 31 December	**27,620**	27,480

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

27. DEFERRED TAX LIABILITIES AND ASSETS

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

Deferred tax liabilities — Group

Group	Depreciation allowance in excess of related depreciation	Revaluation of properties	Withholding tax on distributable profits of Group's PRC subsidiaries	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	3,125	14,850	—	17,975
Deferred tax charged to:	—			
— consolidated income statement during the year	13,214	—	—	13,214
— asset revaluation reserve	—	28,000	—	28,000
At 31 December 2007 and 1 January 2008	16,339	42,850	—	59,189
Deferred tax charged to:				
— consolidated income statement during the year (note 10)	5,518	—	5,618	11,136
— asset revaluation reserve	—	—	—	—
Exchange realignment	1,754	1,388	—	3,142
At 31 December 2008	23,611	44,238	5,618	73,467

Deferred tax assets — Group

	Inventories provision
	HK$'000
At 1 January 2008	—
Deferred tax credited to the consolidated income statement during the year (note 10)	2,192
At 31 December 2008	2,192

The Group has tax losses arising in Hong Kong of approximately HK$37,450,000 (2007: HK$5,160,000) that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$106,281,000 (2007: HK$95,527,000) which are available for offsetting against future taxable profits in one to five years. In the opinion of the directors, deferred tax assets have not been recognised as it is uncertain whether future taxable profits would arise to offset against these losses.

27. DEFERRED TAX LIABILITIES AND ASSETS (CONTINUED)

Pursuant to the EITL (see note 10), which has became effective on 1 January 2008, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement applies to the undistributed earnings after 31 December 2007. Accordingly, deferred tax on undistributed earnings which are subject to this withholding tax of HK$5,618,000 (2007: Nil) has been provided during the year.

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

28. SHARE CAPITAL

Shares	2008 HK$'000	2007 HK$'000
Authorised: 10,000,000,000 (2007: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid: 2,318,849,403 (2007: 2,318,849,403) ordinary shares of HK$0.10 each	**231,885**	231,885

A summary of the transactions during the year and the prior year in the Company's issued ordinary share capital is as follows:

Company	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 31 December 2006 and 1 January 2007	2,318,848,802	231,885	2,107,934	2,339,819
Warrants exercised*	601	—	6	6
At 31 December 2007 and 2008	2,318,849,403	231,885	2,107,940	2,339,825

* The warrants had expired on 31 May 2007. At 31 December 2007 and 2008, no warrants were outstanding.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of the Company's shares on the Main Board of the Stock Exchange in prior years, 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.

(b) Company

	Notes	**Share premium account** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 31 December 2006 and at 1 January 2007		2,107,934	512,994	2,620,928
Warrants exercised		6	—	6
Profit for the year	11	—	374,673	374,673
Interim 2007 dividend	12	—	(23,188)	(23,188)
Proposed final 2007 dividend	12	—	(46,377)	(46,377)
At 31 December 2007 and at 1 January 2008		2,107,940	818,102	2,926,042
Loss for the year	11	—	(19,572)	(19,572)
Interim 2008 dividend	12	—	(34,783)	(34,783)
Proposed final 2008 dividend	12	—	(23,188)	(23,188)
At 31 December 2008		2,107,940	740,559	2,848,499

The share premium account of the Company includes: (i) the difference between the then combined net asset 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.

29. RESERVES (CONTINUED)

(b) Company (continued)

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

30. BUSINESS COMBINATION

On 8 January 2008, Global Sweeteners (China) Limited, a subsidiary of the Company, entered into an acquisition agreement with Mitsui & Co., Ltd., Mitsui & Co., (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd., (collectively the "Mitsui Group") to acquire the 49% equity interest in Sorbitol HK at a total cash consideration of US$2,450,000 (equivalent to approximately HK$19.1 million) (the "Acquisition"). Sorbitol HK was a jointly-controlled entity of the Group prior to this acquisition, and was owned as to 51% by the Group. After the completion of the Acquisition on 18 February 2008, Sorbitol HK became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Sorbitol HK as at the date of Acquisition and the corresponding carrying amounts immediately before the Acquisition were as follows:

	Fair value recognised on the Acquisition HK$'000	**Previous carrying amount** HK$'000
Net assets acquired:		
Property, plant and equipment	43,785	47,029
Prepaid land premiums	6,158	4,578
Inventories	1,296	1,296
Trade receivables	4,865	4,865
Prepayments and other receivables	36	36
Tax recoverable	3,407	3,407
Cash and cash equivalents	707	707
Trade payables	(525)	(525)
Balances with group companies	(15,983)	(15,983)
Other payables	(527)	(527)
Deferred tax	(389)	(805)
	42,830	44,078
Excess over the cost of a business combination recognised in the consolidated income statement	(23,703)	
Satisfied by cash	19,127	

30. BUSINESS COMBINATION (CONTINUED)

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

	2008 HK$'000
Cash consideration	**(19,127)**
Cash and cash equivalents acquired	**707**
Net outflow of cash and cash equivalents in respect of the business combination	**(18,420)**

Since its acquisition, Sorbitol HK contributed HK$60,191,000 to the Group's turnover and HK$6,469,000 to the consolidated profit for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$8,817,673,000 and HK$622,744,000, respectively.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Spin-off of Global Sweeteners

During the year ended 31 December 2007, certain subsidiaries of the Group underwent the Group Reorganisation for the purpose of the spin-off. These subsidiaries were principally engaged in the manufacture and sale of corn sweeteners in the Mainland China. Upon the completion of the Group Reorganisation, Global Sweeteners acquired all subsidiaries from the Group by swap of shares and became the holding company of this subsidiary group on 24 August 2007. On 20 September 2007, 300,000,000 ordinary shares of HK$0.1 each were issued and offered by Global Sweeteners at a price of HK$2.04 each under the public offering and the placing (the "Share Offer"). The Company's indirect interest in Global Sweeteners was reduced from 100% to 70% on 20 September 2007.

On 12 October 2007, additional 45,000,000 ordinary shares of HK$0.1 each were issued and offered by Global Sweeteners at a price of HK$2.04 each for subscription upon the exercise of the Over-allotment Option (for details, please refer to the prospectus of Global Sweeteners dated 10 September 2007). The Company's indirect interest in Global Sweeteners was reduced from 70% to 67% on 12 October 2007.

A summary of the net assets of the Global Sweeteners Group disposed of is as follows:

	HK$'000
Net assets disposed of:	
Minority interests, at carrying amount	386,186
Gain on the spin-off of a subsidiary group	270,913
Satisfied by cash	657,099

The net inflow of cash and cash equivalents in respect of the spin-off of Global Sweeteners amounted to HK$657,099,000.

32. CONTINGENT LIABILITIES

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

At 31 December 2008, the banking facilities granted to the Company's subsidiaries secured by guarantees given to the banks by the Company were utilised to the extent of approximately HK$4,109,180,000 (2007: HK$3,772,888,000).

33. COMMITMENTS

At 31 December 2008, the Group had capital commitments as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for:		
Land premiums and leasehold buildings	**217,601**	253,375
Plant and machinery	**305,253**	181,879
Capital contributions	**44,436**	—
	567,290	435,254
Authorised, but not contracted for:		
Capital contributions	**—**	207,153
	567,290	642,407

The Company did not have any significant commitments as at 31 December 2008.

34. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	**2008 HK$'000**	2007 HK$'000
Utility costs charged to jointly-controlled entities	(a)	**7,965**	6,854
Sales of corn starch to a jointly-controlled entity	(b)	**8,828**	53,470
Sales of corn sweeteners to a jointly-controlled entity	(c)	**4,936**	31,782
Sales of goods to Mitsui Group	(d)	**9,988**	3,742
Commission paid to Cargill Investments (China) Ltd.	(e)	**1,023**	1,567

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Notes:

(a) The utility costs were charged to Sorbitol Changchun, a jointly-controlled entity in which the Group effectively held a 51% equity interest before 18 February 2008 and Cargill Shanghai, a jointly-controlled entity of the Group, based on the actual costs incurred.

(b) The transactions with Cargill Shanghai, a jointly-controlled entity in which the Group effectively holds a 50% equity interest, were made at prices which are comparable to the prices offered to other customers of the Group.

(c) The sales of corn sweeteners to Sorbitol Changchun were at prices which are comparable to the prices offered to other customers of the Group. The Group held a 100% equity interest in Sorbitol HK since 18 February 2008, and since then such transactions were eliminated on consolidation of the Group in full.

(d) The transactions with Mitsui Group, a then joint venture partner of Sorbitol Changchun, were made at prices mutually agreed between the parties. Mitsui Group ceased to be a related party following the acquisition of the remaining equity interest in Sorbitol HK during the year.

(e) Commission was paid to Cargill Investments (China) Ltd., a joint venture partner of Cargill Shanghai in which the Group indirectly holds a 50% equity interest, for its operating service provided to Cargill Shanghai.

Apart from the above, during the year, the Group acquired the remaining 49% equity interest in Sorbitol HK from Mitsui Group at a total cash consideration of US$2,450,000 (equivalent to approximately HK$19.1 million) (see note 30).

(ii) Balances with related parties

At the balance sheet date, the Group's balances due from related parties were as follows:

	2008 HK$'000	2007 HK$'000
Cargill Shanghai	**18,183**	24,184
Sorbitol Changchun	**—**	15,400
	18,183	39,584

(iii) Compensation of key management personnel of the Group

	2008 HK$'000	2007 HK$'000
Short term employee benefits	**19,000**	30,800
Post-employment benefits	**26**	44
Total compensation paid to key management personnel	**19,026**	30,844

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	Group	
Financial assets	**Loans and receivables 2008 HK$'000**	Loans and receivables 2007 HK$'000
Trade receivables	**1,128,924**	1,078,743
Financial assets included in deposits and other receivables	**286,103**	164,480
Due from jointly-controlled entities	**1,373**	19,584
Cash and cash equivalents	**1,509,140**	2,021,812
	2,925,540	3,284,619

	Group	
Financial liabilities	**Financial liabilities at amortised cost 2008 HK$'000**	Financial liabilities at amortised cost 2007 HK$'000
Trade payables	**1,058,869**	468,994
Financial liabilities included in other payables	**727,303**	993,644
Interest-bearing bank and other borrowings	**5,540,003**	4,803,103
	7,326,175	6,265,741

	Company	
Financial assets	**Loans and receivables 2008 HK$'000**	Loans and receivables 2007 HK$'000
Financial assets included in deposits and other receivables	**—**	131
Due from subsidiaries	**3,233,612**	2,905,224
Cash and cash equivalents	**315,819**	451,393
	3,549,431	3,356,748

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Company	
Financial liabilities	**Financial liabilities at amortised cost 2008 HK$'000**	Financial liabilities at amortised cost 2007 HK$'000
Financial liabilities included in other payables	**5,180**	181
Financial guarantee contracts	**44,515**	18,125
Interest-bearing bank borrowings	**775,000**	445,625
	824,695	463,931

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

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

	Group			Company	
	Increase/ (decrease) in interest rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in retained earnings**	**Increase/ (decrease) in interest rate**	**Increase/ (decrease) in retained earnings**
	%	HK$'000	HK$'000	%	HK$'000
2008					
Hong Kong dollar	1%	33,350	29,845	1%	7,599
2007					
Hong Kong dollar	1%	13,956	11,490	1%	1,163

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, amounts due from jointly-controlled entities and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 20 and 21 to the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group	2008					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	1,058,869	—	—	—	—	1,058,869
Interest-bearing bank and other borrowings	—	661,008	3,002,812	2,185,072	20,204	5,869,096
Other payables	727,303	—	—	—	—	727,303
	1,786,172	661,008	3,002,812	2,185,072	20,204	7,655,268

Group	2007					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	468,994	—	—	—	—	468,994
Interest-bearing bank and other borrowings	—	—	1,662,435	3,140,668	—	4,803,103
Other payables	993,644	—	—	—	—	993,644
	1,462,638	—	1,662,435	3,140,668	—	6,265,741

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company	2008					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	—	296,549	11,313	485,650	—	793,512
Financial guarantee contracts	—	—	26	36,172	8,317	44,515
Other payables	5,180	—	—	—	—	5,180
	5,180	296,549	11,339	521,822	8,317	843,207

Company	2007					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	—	—	—	445,625	—	445,625
Financial guarantee contracts	—	—	12,379	5,746	—	18,125
Other payables	181	—	—	—	—	181
	181	—	12,379	451,371	—	463,931

Supply risk

For each financial year, the Group would enter into purchase agreements with a company established in the PRC which is beneficially owned by the staff union of the Group's Mainland China employees (the "Union Company") for the purchases of corn kernels, the principal raw material for the production of certain of the Group's products. Pursuant to the existing purchase agreements, the Group agrees to purchase from the Union Company a total of 1,800,000 tons of corn kernels during the contract period (one year) and bear certain warehouse administration expenses. The total corn kernels purchased from the Union Company was 520,000 tons amounting to approximately HK$715 million since the effective date of the existing purchase agreements. At the balance sheet date, the purchase commitment pursuant to the above agreements was approximately 1,280,000 tons, and the directors have estimated the amount to be approximately HK$1,740 million (2007: HK$961 million).

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

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

Group	**2008** **HK$'000**	2007 HK$'000
Interest-bearing bank and other borrowings	**5,540,003**	4,803,103
Less: Cash and cash equivalents	**(1,509,140)**	(2,021,812)
Net debt	**4,030,863**	2,781,291
Capital	**7,387,721**	6,463,465
Gearing ratio	**55%**	43%

37. OTHER MATTER

Intragroup transfer of Jinzhou Yuancheng

On 27 June 2008, Global Corn Investments Limited ("Global Corn") and Dacheng Industrial, both being indirect wholly owned subsidiaries of the Company, entered into an agreement with Global Sweeteners Investments Limited, a direct wholly owned subsidiary of Global Sweeteners, for the transfer of the entire equity interest in Jinzhou Yuancheng at a consideration of HK$520 million. Jinzhou Yuancheng is principally engaged in the manufacture and sale of corn starch and other by-products in the PRC. As this was an intra-group transaction, no gain or loss was recognised in the consolidated income statement.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2009.

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**8,810,004**	6,796,871	4,742,942	4,078,890	3,378,070
Cost of sales	**(7,059,277)**	(5,201,191)	(3,536,166)	(3,027,532)	(2,076,404)
Gross profit	**1,750,727**	1,595,680	1,206,776	1,051,358	1,301,666
Other income and gains	**199,321**	121,634	48,630	28,949	23,234
Gain on spin-off of a subsidiary group	**—**	270,913	—	—	—
Excessive over the cost of a business combination	**23,703**	—	—	—	—
Selling and distribution costs	**(542,586)**	(372,376)	(293,082)	(277,451)	(164,336)
Administrative expenses	**(287,266)**	(222,657)	(152,893)	(118,056)	(125,232)
Other expenses	**(80,348)**	(32,575)	(45,451)	(15,460)	(17,709)
Finance costs	**(359,441)**	(265,771)	(207,022)	(89,106)	(28,322)
PROFIT BEFORE TAX	**704,110**	1,094,848	556,958	580,234	989,301
Tax	**(31,295)**	(114,994)	(55,730)	(39,895)	(58,491)
PROFIT FOR THE YEAR	**672,815**	979,854	501,228	540,339	930,810
Attributable to:					
Equity holders of the Company	**621,777**	943,486	501,228	466,484	815,451
Minority interests	**51,038**	36,368	—	73,855	115,359
	672,815	979,854	501,228	540,339	930,810
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**15,439,793**	13,397,560	10,574,200	9,402,985	6,835,295
TOTAL LIABILITIES	**(7,539,318)**	(6,511,541)	(5,294,816)	(4,664,413)	(2,244,068)
MINORITY INTERESTS	**(512,754)**	(422,554)	—	—	(456,862)
	7,387,721	6,463,465	5,279,384	4,738,572	4,134,365

BOARD OF DIRECTORS

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

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Hong Kong

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Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE: 00809

KEY DATES

Closure of register of members:
27 May 2009 to 29 May 2009
(both days inclusive)
Annual general meeting:
29 May 2009
Date of payment of final dividend:
31 July 2009