Global Bio-chem Technology Group Company Limited

大成生化科技集團有限公司*

2005

INTERIM REPORT

Innovative Resources
Fueling Growth Momentum

* For identification purpose only

CHANGCHUN

Annual Capacity:

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

Site Area: Over 1 million m^2

Location: Situated within Golden Corn Belt

JINZHOU

Annual Capacity:

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

Site Area: Approximately 370,000 m^2

Location: Situated within Golden Corn Belt & at transportation hub

SHANGHAI

Annual Capacity:

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

Site Area: Approximately 30,000 m^2

Location: Situated in close proximity to food & beverage manufacturer

HONG KONG

Headquarters

Note:
* In progress

CHANGCHUN

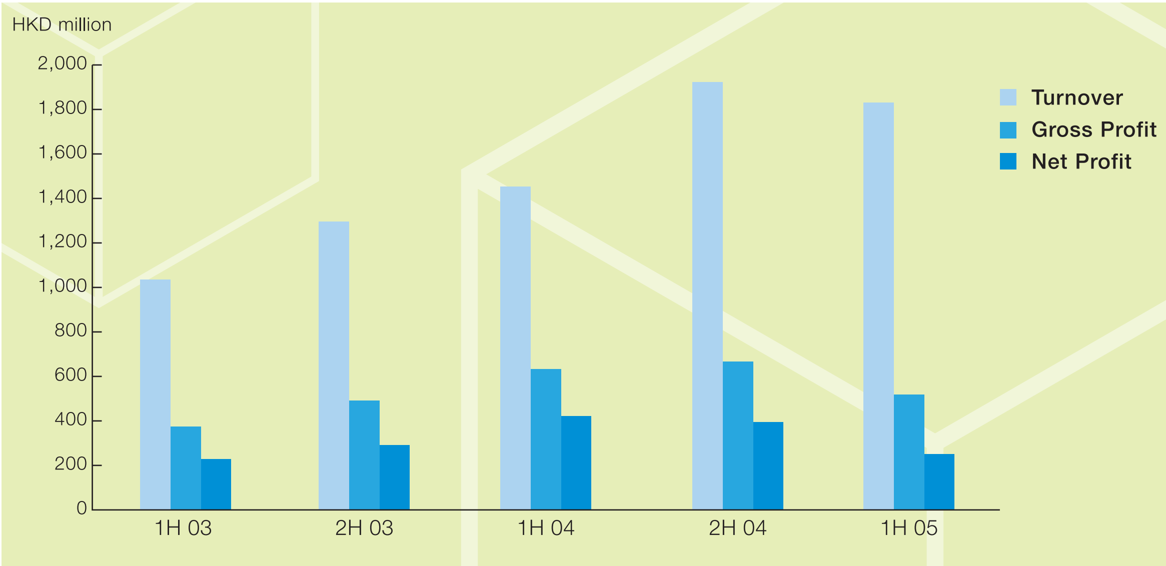
JINZHOU

SHANGHAI

HONG KONG

Contents

Financial Hightlights



	Unaudited six months ended 30 June		
	2005	2004	Change %
Turnover (HK$'Mn)	**1,831**	1,454	26
Profit before tax (HK$'Mn)	**335**	513	(35)
Net profit from ordinary activities attributable to shareholders (HK$'Mn)	**251**	421	(40)
Basic earnings per share (HK cents)	**11.1**	20.6	(46)
Interim dividend per share (HK cents)	**2.0**	2.5	(20)

BOARD OF DIRECTORS

Liu Xiaoming, *Co-Chairman*
Xu Zhouwen, *Co-Chairman*
Kong Zhanpeng, *Executive Director*
Wang Tieguang, *Executive Director*
Patrick E Bowe, *Non-Executive Director*
Steven C Wellington,
Alternate Director to Patrick E Bowe
Lee Yuen Kwong,*
Independent Non-Executive Director
Chan Man Hon, Eric,*
Independent Non-Executive Director
Li Defa,*
Independent Non-Executive Director

* Audit Committee Members

COMPANY SECRETARY

Cheung Chak Fung, ACCA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS

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

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.globalbiochem.com

STOCK CODE: 0809

Dear Fellow shareholders,

Adjustment to the Group's results in the first half of 2005 was mainly attributable to the global outbreak of epidemics among various types of poultry which caused a sharp decline in livestock breeding. As lysine is used as feed additive, such decline has resulted in slip of lysine prices. On the other hand, high selling price of lysine in the past few years attracted many manufacturers to inject investment to enter into this highly profitable business. For this reason, the price continued to drop since the first half of 2004. With the Group's technological advantage, a new lysine production plant with annual production capacity 120,000 metric tonnes was completed at the beginning of 2005 and driving the total annual production capacity to 240,000 tonnes. Besides, the implementation of new micro-organisms and production process reduced the production cost of lysine by 20% from February this year and had substantially improved our competitiveness. The Group's turnover and net profit for the first half of 2005 were HK$1,831 million and HK$251 million, representing an increase of approximately 26% and a decrease of 40% respectively.

With capacity expansion of lysine series products, the Group has become the largest lysine producer in Asia and one of the top three in the world. Currently the Group enjoys the market shares of lysine of about 60% in the PRC and about 25% in the world. During the first half of 2005, the Group had actively explored the overseas market, with export sales to regions including European countries, the US, Australia, Japan and various Southeast Asian countries etc. This amount increased by 16% as compared to the same period of 2004. The market for the Group's products will be more globalised. While lysine price has been under pressure during the first half of this year, the gross profit margin was able to maintain at approximately 30%. Moreover, market demand will remain strong and the Group expects sales volume and export sales will increase for the second half of the year. Product prices would stay at a relatively stable level. Moreover, with the application of new micro-organism in all production lines, production cost will be further reduced.

On the other hand, the Group is also the largest corn refiner in China with annual corn processing capacity reaching 1.8 million metric tonnes, including 1.2 million metric tonnes of corn starch and 600,000 metric tonnes of corn refined by-products such as corn oil, corn gluten and fibre. The corn starch produced is being used as raw materials in downstream products production while the by-products are being sold externally. Downstream products such as corn sweeteners and modified starch had performed well, with production volumes tripled and doubled respectively.

The Group had been dedicated to its product diversification strategy, and one of the resolutions to such strategy is the polyol project. A trial production plant with 10,000 metric tonnes had commenced operation last year. Some of its products had been sold to antifreeze manufacturers and received good quality feedback. The Group has also sent the corn-based polyol to several chemical fibre manufacturers in China for making fabrics and product testing. Results of testing were satisfactory and showed that our products attain industrial standards. Thus having corn as an alternative to petroleum not only save scarce natural resources, but also address the principle of environmental protection, which will bring new momentum to sustain growth to the Group.

Construction work of the sorbitol plant which is jointly established by the Group and Mitsui Group from Japan has been completed. The plant has an annual production capacity of 60,000 metric tonnes. Trial production is currently underway.

In addition, construction of the glutamic acid plant with capacity of 100,000 metric tones per annum is in progress. The Group will continue its research and development to produce other high value-added product series include arginine, threonine and other compound amino acid products.

In June 2005, the Group entered into an agreement for the acquisition of the entire equity interest in Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial"), which had been a minority shareholder of eight indirectly non-wholly owned subsidiaries of the Company. Subsequent to the acquisition, the Group would gain full control and financial benefits of the eight non-wholly owned subsidiaries, and such move should be beneficial to the Group both financially and strategically. Also, the Group has, through the acquisition of Dacheng Industrial, obtained several vacant sites for industrial purposes adjacent to its Changchun production base. The Group intends to use these sites, which have a total area of approximately 890,000 square metres, for the expansion of the polyol project and related facilities, including a corn kernel warehouse and a corn processing refinery.

The Group has always maintained good and close relationship with various local and international bankers. In September 2005, Group entered into an agreement of syndicated loan facilities of US$180 million with 18 renowned international bankers. These banking facilities not only will provide the Group with additional working capital, but will also strengthen the Group's financial capability. The Group has applied a portion of the facilities for the acquisition of entire equity interests in Dacheng Industrial, with the remaining of the facilities will benefit other development plans, including the polyol project.

The polyol production know-how that is jointly developed by the Group and IPP has undergone trial production and testing on product applicability for over six months. Technology is now mature and so the Group entered into an agreement with the IPP in August 2005 for establishment of a polyol plant with an annual production capacity of 200,000 metric tonnes. We believe the project will fuel our future growth momentum.

The Group will continue to its product diversification strategy. Utilising its strong biochemical technology, considerable scale of production facilities and vast experience in market development, the Group will strive to diversify its product portfolio, and to achieve optimal cost efficiency through vertically integrated production facilities. The Group has successfully expanded its downstream products mix and established leading position for lysine series and corn sweetener series. The Group will maintain steady development of existing products and to develop new products to fuel our growth.

The management will continue to strength the corporate governance, to maintain close communications with local and international investors and to enhance corporate transparency. Meanwhile, the management is committed to improving production technology and enhancing operating efficiency to reward our shareholders for their long term support. On behalf of Global Bio-chem, we would like to extend our most heartfelt thanks to our customers, business partners, investors, shareholders and staff who have rendered continuous support over the years.

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

22 September 2005

Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively, the "Group") 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 products.

BUSINESS ENVIRONMENT

During the first half of 2005 (the "Period"), the economic growth of the PRC remained strong, which sustained a stable business environment to the Group.

In view of the upward trend of oil price since late 2004, the prices of oil-related materials for the production and transportation remained high. This pushed up the production and operating cost of the Group. At the same time, certain type of the Group's products, especially lysine and protein lysine, faced downward price adjustment owing to either domestic competition or substantial increase in supply.

Although the PRC remained the principal market, the Group further extended its sales to other regions to effect a strategic allocation of client base and in view of keen demand from overseas markets. During the Period, sales to regions other than the PRC accounted for approximately 18% (2004: 19%) of the Group's turnover.

FINANCIAL PERFORMANCE

The Group's consolidated turnover of approximately HK$1.8 billion increased approximately 26% as compared to the same period last year, which mainly resulted from the expansion of the Group's capacity in both upstream and downstream operation in last year. However, due to the continuous price slip of lysine and increase in transportation cost, the gross profit of approximately HK$517 million and net profit of approximately HK$251 million for the Period decreased by approximately 18% and 40% respectively.

Upstream Products Segment

(Sales amount: HK$857 million (2004: HK$623 million))
(Gross profit: HK$180 million (2004: HK$155 million))

Although the internal consumption of corn starch for the production of downstream products increased approximately 71% as compared to same period in 2004, the turnover of upstream products segment increased by approximately 38% to HK$857 million. The outstanding performance mainly resulted from the full scale operation of Jinzhou corn processing plant (the "Jinzhou Plant") in 2005.

During the Period, the average selling price of the upstream products slightly dropped by approximately 1% while the cost of sales moved upward by approximately 4% mainly due to the high utility cost of production. As a result, the gross profit percentage dropped approximately by 4% to 21%. Nonetheless, the gross profit increased by approximately 17% to HK$180 million which was contributable by the additional production capacity.

As the segment operates in a mature industry, a stable gross profit margin at current level was within the expectation of the management.

Downstream Products Segment

(Sales amount: HK$974 million (2004: HK$831 million))
(Gross profit: HK$337 million (2004: HK$478 million))

During the Period, the turnover of corn sweeteners (other than high fructose corn syrup ("HFCS") produced by a jointly-controlled entity in Shanghai, the PRC) and modified starch tripled and doubled the figures of the same period last year respectively which contributed aggregately additional gross profit of approximately HK$54 million. Such performance mainly resulted from the acquisition of a sweetener plant in 2004 and the enlarged market share of paper-grade modified starch. The turnover of HFCS recorded an increase of over 50% while the gross profit of approximately HK$5 million doubled that of last year.

However, due to continuous slip of lysine price, the average selling price dropped by approximately 45% to approximately HK$6,600 per metric tonne. Despite the increase in the sale volume by approximately 73%, the turnover slightly dropped by approximately 5% to approximately HK$692 million while gross profit was dragged down by approximately 47% to HK$231 million.

As a result, the overall gross profit from downstream products decreased substantially by approximately 29% to HK$337 million.

Overall Gross Profit %

In view of the changes in both upstream and downstream products segments above, sales amount and gross profit from downstream products segment accounted for approximately 53% (2004: 57%) and 65% (2004: 76%) of the Group's turnover and gross profit respectively while overall gross profit percentage lowered substantially to approximately 28% (2004: 44%).

Operating expenses, tax and profit shared by minority shareholders

Due to the increase in overseas sales and transportation charge, the percentage of selling and distribution costs over turnover increased to approximately 6% (2004: 4%). In spite of increase in transportation cost, the percentage of operating expenses over turnover increased by approximately 1%. Such performance mainly resulted from the continuous and stringent control over operating expenses, enhancement in operating efficiency arising from expansion.

The increase of finance costs (after netting-off the amount capitalised as construction in progress of approximately HK$13 million (2004: HK$7 million)) over turnover of approximately 1% was mainly attributable to the enlarged borrowing portfolio and the increase in interest rate.

With the prevailing income tax laws and regulations, most of the subsidiaries and jointly-controlled entities established in the PRC still enjoy income tax relief. As the profit generated from subsidiaries with higher income tax rate increased, the overall effective tax rate of the Group was pushed up slightly to approximately 8% (2004: 7%).

During the Period, the Group entered into an agreement to acquire 100% equity interest in Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial"), which held equity interests ranging from 10%–30% in 8 subsidiaries of the Company at a consideration of HK$900 million. As at 30 June 2005, the transaction had not yet completed and the profit shared by Dacheng Industrial for the Period amounted to approximately HK$60 million (2004: HK$59 million).

Both joint venture projects with Cargill Inc. ("Cargill") and Mitsui Group recorded operating losses of approximately HK$1 million each during the Period. In view of the recent upward movement of sugar prices and the commencement of production of sorbitol, improvement in operating results of these joint ventures is expected. In prior periods, the Group's interests in jointly-controlled entities were accounted for using the equity method. Upon adoption of HKAS 31, the Group has elected to use proportionate consolidation to account for its interests in jointly-controlled entities.

Decrease in net profit attributable to shareholders

In view of the decrease in lysine price of which the effect was partially compensated by capacity expansion and stringent control over operating expenses, the net profit attributable to shareholders dropped by approximately 40% to HK$251 million.

IMPORTANT TRANSACTIONS

Acquisition of Dacheng Industrial

During the Period, the Group entered into an agreement to acquire entire equity interest in Dacheng Industrial at a consideration of HK$900 million. The major assets of Dacheng Industrial mainly comprise minority interests in 8 subsidiaries of the Company and certain vacant sites for industrial uses near the main production plant of the Group in Changchun. Through the acquisition, the Group acquired the remaining interests in those subsidiaries held by Dacheng Industrial so that the Group obtained full control of, and financial benefits from, those non-wholly owned subsidiaries and their future expansion plans.

It is the Group's intention to use the lands owned by Dacheng Industrial for the expansion of polyol project and related facilities, including but not limited to, a corn kernel warehouse and a corn processing refinery. The Board considers that the acquisition would not only enlarge the profit attributable to the shareholders from the Group's well established subsidiaries at relatively lower risk compared with other investment opportunities, but also enhance management's flexibility in managing and integrating the operation of various subsidiaries, thus strengthening the Group's competitive power in the market.

As at 30 June 2005, the transaction had not yet completed and the profit shared by Dacheng Industrial for the Period amounted to approximately HK$60 million (2004: HK$59 million). According to HKFRS 3, a goodwill, which represents the excess of acquisition consideration over Dacheng Industrial's identifiable assets, liabilities and contingent liabilities, would be recognised at the date of completion and subject to subsequent impairment reassessment.

Syndicated banking facilities

On 2 September 2005, the Company accepted an offer of loan facilities from a syndicate of banks and financial institutions which comprise a term loan facility in the sum of US$120 million and revolving loan facility of up to an aggregate principal amount of US$60 million for a term of 36 and 35 months respectively, both with interest rate equal to London Interbank Offered Rate ("LIBOR") plus 0.88% per annum.

In view of the financial needs arising from the acquisition of Dacheng Industrial, and capital expenditure and additional working capital requirement of various expansion and products development plans, these banking facilities not only provide the Group with additional working capital, but also strengthen the Group's financial capability. In addition, the competitive borrowing costs enhance the Group's profitability and return of equity.

FINANCIAL RESOURCES AND LIQUIDITY

Net Borrowing position

To support (i) additional working capital requirement resulted from the expansion of the Group and (ii) the huge capital expenditure on projects including the construction of facilities and/or expansion projects in relation to lysine series, glutamic acids, corn sweeteners, a new corn refinery and other amino acids of approximately HK$240 million, HK$364 million, HK$171 million, HK$102 million and HK$139 million respectively, the net borrowing as at 30 June 2005 increased to approximately HK$1.1 billion (31 December 2004: HK$314 million).

Structure of interest bearing borrowings

As at 30 June 2005, the Group's bank borrowings amounted to approximately HK$2.0 billion (31 December 2004: HK$1.6 billion), of which approximately 33% (31 December 2004: 42%) were denominated in Hong Kong dollars or US dollars while the remainder was denominated in RMB. The average interest rate paid during the Period was approximately 4% (2004: 4%).

The percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years, and beyond five years were approximately 67% (31 December 2004: 59%), 32% (31 December 2004: 40%) and 1% (31 December 2004: 1%) respectively. There is no material change in repayment pattern. As at 30 June 2005, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$281 million.

Turnover days, liquidity ratios and gearing ratios

In view of the commencement of full scale operation of Jinzhou Plant during the Period, the Group intended to maintain a higher raw material level in order to avoid the anticipated upward movement of corn price before the coming harvest season. In addition, the expansion of production capacity of Group also lifted the finished good storage level. As a result, inventory turnover days increased to approximately 121 days (31 December 2004: 116 days). Meanwhile, the trade creditors turnover days increased to approximately 31 days (31 December 2004: 27 days). Although certain promotion policies were adopted during the Period including longer credit term granted to customers with good repayment history, trade receivables turnover days reduced to approximately 84 days (31 December 2004: 87 days) as the Group tightened the collection against general customers.

Due to additional bank borrowings and higher inventory level, the current ratio and the quick ratio as at 30 June 2005 dropped to approximately 1.3 (31 December 2004: 1.9) and 0.9 (31 December 2004: 1.4) respectively. Meanwhile, gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to equity were pushed up to approximately 26% (2004: 24%), 47% (2004: 39%) and 25% (2004: 8%), respectively. Drop in interest coverage (i.e. EBIDTA over finance costs) of approximately 15 times (2004: 35 times) mainly resulted from the decrease in profit from lysine operation.

Foreign Exchange Exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the board of directors of the Company (the "Board" or "Directors") consider that there is no unfavourable exposure to foreign exchange fluctuation and that there will be sufficient cash resources denominated in Hong Kong Dollars for the repayment of borrowings and future dividends. During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2005.

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, as well as enhance its capability in developing high value-added downstream products through research and development and through strategic business alliances with prominent international market leaders.

Amino Acids Series

In the PRC, the annual feed market size is approximately 100 million metric tonnes with a growth rate of 15% while the content of lysine, as feed additive, is around 1.6 kg per metric tonne only. If feed production follows the PRC indicated additive proportion of 3 kg per metric tonne, immediate market demand for lysine will be approximately 300,000 metric tonnes per annum. Additional demand is expected if feed production follows the indicated additive proportion according to western countries' preferences of 5–8 kg per metric tonne.

In order to capture the rising demand in the PRC and the global market and to enlarge its market share ahead of others players, lysine plant in Dehui, the PRC with annual production capacity of 120,000 mtpa had commenced commercial operation in early 2005. Currently, the Group's total production capacity of lysine series is 240,000 metric tonnes per annum which includes 100,000 metric tonnes of lysine and 140,000 metric tonnes of protein lysine.

To stabilise the selling price during the transitional period for the change of the feed formula, to mitigate the risk of over-concentration in a single market and to attain worldwide recognition of the Group's products, lysine of approximately 14,800 metric tonnes (2004: 8,900 metric tonnes) was sold by the Group to regions other the PRC during the Period, which accounted for over 14% of the Group's production capacity. The Group intends to further increase its export volume of lysine to markets in the US, Europe and Africa.

Polyol Project

Polyol products include ethylene glycol, propylene glycol, glycerin and butanediols which can be used in textile, plastic, construction materials, medical, chemical and cosmetic industries. The end products from polyol include polyester fiber, polymer resin and anti-freezer, chemicals applied in the production of coatings, PVC stablisers, detergents, paint driers, etc. Usually, polyol products are refined from petroleum. In view of the expected insufficient and expensive supply of petroleum in the foreseeable future, the use of agricultural products as raw material of polyol becomes a feasible remedy to this issue.

Pursuant to a conditional supplemental joint venture agreement entered into on 11 August 2005 with our existing joint venture partners, International Polyol Chemicals, Inc. and Icelandic Green Polyols Ehf. (collectively, the "IPP"), a new plant in Changchun with an initial annual production capacity of 200,000 metric tonnes of the polyol products will be constructed. Completion of this supplemental joint venture agreement is subject to the fulfillment of certain conditions, including approval from independent shareholders of the Company as to the transactions contemplated thereby.

The expected total investment of the joint venture amounts to US$95 million, which will be totally injected by the Group on cash basis while the IPP will make their contribution by way of their technology know-how, as an intangible asset. The Group and the IPP will hold 81.25% and 18.75% of the equity interest in this new joint venture respectively. Under the supplemental joint venture agreement, a call option will be granted by the Group to the IPP pursuant to which that the IPP may request to acquire up to 30.25% equity interest in the joint venture from the Group. The call option is exercisable at any time during the term of the supplemental joint venture agreement while the acquisition price shall be determined with reference to the prospective price earning ratio to be determined by a recognised investment banking company or a certified public accounting company and as agreed by the Group and the IPP.

The Board expects that subject to completion of the supplemental joint venture agreement, the deployment for the design, building and construction of the plant shall be completed by the second quarter of 2006 and commercial operation shall commence by the third quarter of the same year.

The Board is of the opinion that the PRC and other regions in Asia are markets with enormous potential for the polyol chemical products. With the strong technological support from IPP, the Group's proven production and operation capabilities in running production plants in the PRC with a stable and quality assured supply of raw materials, integrated infrastructure and dedicated management, the success and experience in the development and application of the polyol technology under the pilot plant, the entering into of the supplemental joint venture agreement will enable both the Group and the IPP to capitalise their success in the past and to capture the business opportunities arising from the market. Definitely, the success in the polyol project will generate strong contribution to the Group in coming future.

Sorbitol Project

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

The 51:49 sorbitol project with Mitsui Group is mainly for the manufacture of sorbitol products in Changchun and sale of these products in the PRC and other regions. Mitsui Group will also act as worldwide distributor except for the PRC market.

The construction work of the refinery, with initial annual production capacity of 60,000 metric tonnes has been completed and is now undergoing trial production.

Glutamic Acid Project and other Amino Acids

The construction of the glutamic acid plant in Dehui has commenced in the third quarter 2004 and it is expected that the trial run will begin in late 2005 or early 2006. The planned production capacity of this glutamic acid plant is 100,000 metric tones per annum. Synergy effect will be expected by locating the production facilities of lysine and glutamic acid at the same production base, Dehui. To facilitate the production of amino acids and benefit from the cost saving from vertical integration and economy of scale, the Group has the intention to construct another corn processing plant with sweeteners production capability in Dehui.

The Group is also dedicated to the research and development of many other high value-added amino acids, including arginine, threonine and valine to fuel our growth momentum. Trial production of threonine is currently in progress and it is expected that a production plant with a planned annual capacity of 10,000 metric tonnes will commence commercial production in 2005.

HFCS Project

In addition to the HFCS refinery in Shanghai, a new HFCS refinery situated adjacent to Jinzhou Plant is under consideration. The new refinery will not only relieve the heavy transportation cost because it will mainly serve the nearby customers, but also save production cost through vertical integration where starch slurry, instead of powder form adopted by the HFCS refinery in Shanghai, will be supplied by the Jinzhou Plant.

SHARE OPTIONS

During the Period, approximately 47 million ordinary shares of the Company ("Shares") had been subscribed by a wholly owned subsidiary of Cargill pursuant to the exercise of share options granted thereto, from which approximately HK$105 million had been received by the Group.

In addition, during the Period, share options were exercised at a subscription price of HK$1.316 per Share by a full time employee of the Group pursuant to which 2 million shares had been issued by the Company, from which approximately HK$3 million had been received by the Group.

During the Period, no share options were granted to any staff. As at 30 June 2005, a total of 30,428,800 share options granted to full time employees of the Group remained outstanding with exercisable period up to August 2011 with exercise prices at HK$1.316 per Share. Except for full time employees' share option scheme, there was no other share option outstanding as at 30 June 2005.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2005, the Group had approximately 4,000 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production capability and development new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

INTERIM DIVIDNEDS

The Board has proposed an interim dividend of HK2.0 cents per Share (2004: HK2.5 cents) in respect of the Period. The Board expects that the proposed interim dividend will be paid on or around 11 November 2005.

DIRECTORS INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLING SHARES

As at 30 June 2005, the interests and short positions of the Directors in the share capital of the Company or its associated corporations (within the meaning at Part XV of the Securities and Futures Ordinance (the "SFO")), and their interest in debentures of the Company or its associate companies, 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:

Interest in ordinary shares of the Company:

		Number of Shares held, capacity and nature of interest			
Name of Director	Notes	Directly beneficially owned	Through controlled corporation	Total	Percentage of Company's issued shares capital
Liu Xiaoming	1	8,890,400	345,600,000	354,490,400	15.49%
Xu Zhouwen	2	—	211,040,000	211,040,000	9.22%
Kong Zhanpeng	3	8,294,400	172,800,000	181,094,400	7.91%
Wang Tieguang	4	4,147,200	172,800,000	176,947,200	7.73%
		21,332,000	902,240,000	923,572,000	40.35%

Interest in warrants of the Company (Note 5):

		Number of Shares, capacity and nature of interest			
Name of Director	Notes	Directly beneficially owned	Through controlled corporation	Total	Percentage of Company's issued shares capital
Liu Xiaoming	1	2,361,300	43,200,000	45,561,300	1.99%
Xu Zhouwen	2	1,250,000	26,380,000	27,630,000	1.21%
Kong Zhanpeng	3	2,286,800	21,600,000	23,886,800	1.04%
Wang Tieguang	4	1,768,400	21,600,000	23,368,400	1.02%
		7,666,500	112,780,000	120,446,500	5.26%

Interest in share options granted under the share option scheme of the Company:

Name of Director	Number of Shares to be allotted and issued upon exercise in full of the share options granted to the Directors	Date of grant of share options	Exercise period of share option	Exercise price per Share of share options HK$	Percentage of the Company's issued share capital
Liu Xiaoming	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	0.21%
Xu Zhouwen	13,040,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	0.57%
Kong Zhanpeng	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	0.21%
Wang Tieguang	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	0.21%
	27,276,800				

Notes:

1. 345,600,000 Shares were owned by and warrants with rights to subscribe for 43,200,000 shares, which remained outstanding as at the 30 June 2005, were issued to LXM Limited, a company incorporated in the British Virgin Island ("BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming. Mr. Liu Xiaoming is a director of LXM Limited.

2. 211,040,000 Shares were owned by and warrants with rights to subscribe for 26,380,000 Shares, which remained outstanding as at the 30 June 2005, were issued to Crown Asia Profits Limited, a company incorporated in the BVI. The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen. Mr. Xu Zhouwen is a director of Crown Asia Profits Limited.

3. 172,800,000 Shares were owned by and warrants with rights to subscribe for 21,000,000 Shares, which remained outstanding as at the 30 June 2005, were issued to Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng. Mr. Kong Zhanpeng is a director of Hartington Profits Limited.

4. 172,800,000 Shares were owned by and warrants with rights to subscribe for 21,600,000 Shares, which remained outstanding as at the 30 June 2005, were issued to Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang. Mr. Wang Tieguang is a director of Rich Mark Profits Limited.

5. These warrants are constituted by an instrument by way of deed poll executed by the Company on 4 May 2004 and granted by way of bonus issue by the Company in the aggregate amounts of not less than HK$2,462,476,870 of subscription rights, entitling the holder(s) thereof to subscribe in cash at any time during the period from 28 May 2004 to 4:00 p.m. (Hong Kong time) on 31 May 2007 (both dates inclusive) (subject to early termination) for new Shares at an initial subscription price of HK$9.8 per new Share (subject to adjustment) and otherwise on the terms set out in the instrument.

Save as disclosed above, as at 30 June 2005, none of the Directors and chief executive of the Company had any interests or short positions in the securities of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

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

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

So far as is known to the Directors, at 30 June 2005, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company (other than those under the warrants as disclosed above) which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO;

Name	Note	Number of Shares held	Percentage of Company's issued shares capital
LXM Limited	1	345,600,000	15.10%
FMR Corp.		247,795,850	10.83%
Fidelity Management & Research Company		236,064,200	10.32%
Crown Asia Profits Limited	2	211,040,000	9.22%
Hartington Profits Limited	3	172,800,000	7.55%
Rich Mark Profits Limited	4	172,800,000	7.55%
J.P. Morgan Chase & Co.		132,088,335	5.77%

Notes:

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

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

3. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng, an executive director of the Company.

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

5. The interests of LXM Limited, Crown Asia Profits Limited, Hartington Profits Limited and Rich Mark Profits Limited in the Shares to be allotted and issued upon exercise of subscription rights attaching to the outstanding Warrants issued to them are stated in notes (1) to (4) under "Directors interest and short positions in shares and underlying shares"

Save as disclosed above, as at 30 June 2005, no person, other than the Directors and chief executive of the Company, had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The following share options were outstanding under the Share Option Scheme of the Company (the "Scheme") during the six months ended 30 June 2005:

Category or name of participant	Number of share options At 1 January 2005*	Exercised during the Period	At 30 June 2005	Date of grant of share options**	Exercise period of share options	Exercise price of share options*** HK$
Directors						
Mr. Liu Xiaoming	4,745,600	—	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316
Mr. Xu Zhouwen	13,040,000	—	13,040,000	21 August 2001	21 August 2001 to 20 August 2011	1.316
Mr. Kong Zhanpeng	4,745,600	—	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316
Mr. Wang Tieguang	4,745,600	—	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316
	27,276,800	—	27,276,800			
Other employees						
In aggregate	5,152,000	(2,000,000)	3,152,000	21 August 2001	21 August 2001 to 20 August 2011	1.316
	32,428,800	(2,000,000)	30,428,800			

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

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

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

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

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

CORPORATE GOVERNANCE

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

The Company has complied throughout the half-year ended 30 June 2005 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except that, with respect to Code A.4.1, non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association. The Company is considering to alter the terms of appointment of non-executive Directors of the Company to fixed terms.

In compliance with the Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board of Directors. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Corporate Governance Code to set up a Nomination Committee.

Audit Committee

The Audit Committee comprises three independent Non-executive Directors, Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa. Mr. Lee Yuen Kwong 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 practices 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 Period.

Remuneration Committee

The members of the Remuneration Committee comprise two independent non-executive directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric and one executive directors, Mr. Kong Zhanpeng. Mr. Chan Man Hon, Eric 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.

DISCLOSURES PURSUANT TO RULES 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's syndicated loan facility, which contains covenants requiring performance obligations of the controlling shareholders of the Company.

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

Pursuant to a syndicated loan facility agreement dated 2 September 2005 entered into between the Company and a syndicate of banks and financial institutions, relating to a 36 month term loan facility of US$120,000,000 and a 36 month receiving loan facility of US$60,000,000, a termination event would arise it. Mr. Au Chun Fat, one of the founders who is also an ex-director of the Company, and the existing directors of the Company, cease to own beneficially, directly or indirectly, at least 30% of the shares in the Company's issued share capital.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon specific enquiry made by the Company with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 October 2005 to 14 October 2005, both days inclusive, during which period no transfer of shares of the Company will be registered and no shares of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company. In order to qualify for entitlement to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms and, in the case of warrant-holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies, must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 12 October 2005.

By Order of the Board of
Global Bio-chem Technology Group Company Limited

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

Hong Kong, 22 September 2005

The Board is pleased to announce the unaudited consolidated results of the Group for the Period.

These unaudited consolidated results have been reviewed by the Company's external auditors and the Audit Committee.

	Notes	Six months ended 30 June 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000 (Restated)
TURNOVER			
Sales of goods		**1,830,882**	1,454,027
Cost of sales		**(1,313,458)**	(821,542)
Gross profit		**517,424**	632,485
Other income	3	**13,157**	7,561
Selling and distribution costs		**(109,795)**	(60,616)
Administrative expenses		**(53,196)**	(37,333)
Other expenses		**(1,658)**	(12,165)
Finance costs	4	**(30,575)**	(16,658)
PROFIT BEFORE TAX	5	**335,357**	513,274
Tax	6	**(25,170)**	(33,649)
PROFIT FOR THE PERIOD		**310,187**	479,625
ATTRIBUTABLE TO			
Equity holders of the parent		**250,568**	420,991
Minority interests		**59,619**	58,634
		310,187	479,625
EARNINGS PER SHARE			
— Basic	7	**HK11.1 cents**	HK20.6 cents
— Diluted		**HK11.0 cents**	HK19.8 cents
DIVIDEND PER SHARE	8	**HK2.0 cents**	HK2.5 cents

Condensed Consolidated Balance Sheet

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,496,824**	3,566,464
Prepaid land premiums		**182,117**	173,021
Deposits paid for acquisition of fixed assets		**168,619**	97,188
Goodwill		**45,362**	45,362
Long term loan to a jointly-controlled entity	14(b)(i)	**20,000**	20,000
Long term prepayments		**4,219**	6,028
		4,917,141	3,908,063
CURRENT ASSETS			
Inventories		**877,773**	659,330
Trade receivables	9	**848,304**	802,599
Prepayments, deposits and other receivables		**199,677**	133,695
Due from jointly-controlled entities	14(b)(ii)	**7,465**	7,128
Tax recoverable		**5,829**	3,333
Cash and cash equivalents		**929,372**	1,307,175
		2,868,420	2,913,260
CURRENT LIABILITIES			
Interest-bearing bank loans, secured		**1,366,639**	969,614
Trade payables	10	**224,311**	151,106
Other payables and accruals		**599,509**	385,271
Due to minority shareholders		**17,900**	48,831
Due to a jointly-controlled entity	14(b)(ii)	**10,330**	—
Tax payable		**7,925**	12,978
Dividend payable		**45,768**	—
		2,272,382	1,567,800
NET CURRENT ASSETS		**596,038**	1,345,460
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,513,179**	5,253,523
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		**656,033**	651,705
Deferred tax		**10,591**	10,591
		666,624	662,296
		4,846,555	4,591,227

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000 (Restated)
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Share capital	11	**228,841**	223,899
Other reserves		**1,847,087**	1,856,199
Retained profits		**2,256,248**	2,054,267
		4,332,176	4,134,365
Minority Interests		**514,379**	456,862
		4,846,555	4,591,227

Condensed Consolidated Statement of Changes in Equity

	Issued share capital HK$'000	Share premium HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total equity HK$'000
At 1 January 2005							
As previously reported	**223,899**	**1,680,278**	**86,427**	**3,334**	**2,054,267**	**111,949**	**4,160,154**
Prior period adjustment							
HKAS 17 — Leases (note 1)	**—**	**—**	**(25,789)**	**—**	**—**	**—**	**(25,789)**
As restated	**223,899**	**1,680,278**	**60,638**	**3,334**	**2,054,267**	**111,949**	**4,134,365**
Issue of shares	**4,942**	**102,489**	**—**	**—**	**—**	**—**	**107,431**
Net profit for the period	**—**	**—**	**—**	**—**	**250,568**	**—**	**250,568**
Final dividend paid	**—**	**—**	**—**	**—**	**(2,471)**	**(111,949)**	**(114,420)**
Transfer from retained profits	**—**	**—**	**—**	**348**	**(348)**	**—**	**—**
Proposed interim dividend	**—**	**—**	**—**	**—**	**(45,768)**	**—**	**(45,768)**
At 30 June 2005 (Unaudited)	**228,841**	**1,782,767**	**60,638**	**3,682**	**2,256,248**	**—**	**4,332,176**

	Issued share capital HK$'000	Share premium HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total equity HK$'000
At 1 January 2004 (Audited)							
As previously reported	201,019	750,716	86,427	2,369	1,405,874	50,255	2,496,660
Prior year adjustments:							
HKAS 17 — Leases (note 1)	—	—	(25,789)	—	—	—	(25,789)
As restated	201,019	750,716	60,638	2,369	1,405,874	50,255	2,470,871
Issue of shares	7,780	113,520	—	—	—	—	121,300
Net profit for the period	—	—	—	—	420,991	—	420,991
Final dividend paid	—	—	—	—	(1,920)	(50,255)	(52,175)
Transfer from retained profits	—	—	—	591	(591)	—	—
Proposed interim dividend	—	—	—	—	(52,200)	—	(52,200)
At 30 June 2004 (Unaudited)	208,799	864,236	60,638	2,960	1,772,154	—	2,908,787

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Net cash inflow from operating activities	**378,920**	348,115
Net cash outflow from investing activities	**(1,073,334)**	(490,761)
Net cash inflow from financing activities	**316,611**	149,844
DECREASE IN CASH AND CASH EQUIVALENTS	**(377,803)**	7,198
Cash and cash equivalents at beginning of period	**1,307,175**	740,624
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**929,372**	747,822
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**774,184**	747,822
Non-pledged time deposits with original maturity of less than three months when acquired	**155,188**	—
	929,372	747,822

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

1. ACCOUNTING POLICIES (Continued)

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 38, 39, 40, HKFRS 2, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim financial report. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 — Leases

In prior periods, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land. The effect arising from this change in accounting policy is summarised as follows:

		30 June 2005 HK$'000	31 December 2004 HK$'000
(i)	Increase in prepaid land premiums from fixed assets	**182,117**	173,021
(ii)	Effect on reversal of revaluation surplus on leasehold land:		
	— Group's revaluation reserve decreased by	**25,789**	25,789
	— Minority interests decreased by	**6,879**	6,879
	— Deferred tax liability decreased by	**5,757**	5,757
	Total fixed assets decreased by	**220,542**	211,446

(i) The carrying amount of the Group's prepaid land premiums which are stated at cost less accumulated amortisation, were reclassified from the Group's fixed assets.

(ii) In prior periods, the Group's leasehold land was stated at valuation where any surplus on revaluation was credited to the Group's revaluation reserve and minority interest. Deferred tax liability so arising was also provided for at the balance sheet. With the adoption of HKAS 17, the revaluation surplus on the Group's leasehold land previously recognised was reversed and the respective balances were debited against the Group's reserve, minority interest and deferred tax liability.

1. ACCOUNTING POLICIES (Continued)

(a) HKAS 17 — Leases (Continued)

The jointly-controlled entities of the Group adopted HKAS 17 for the preparation of their financial information for the period ended 30 June 2005. The effect of adopting HKAS 17 in relation to the reclassification of the leasehold land of the jointly-controlled entities for the year ended 31 December 2004, to the extent which is attributable to the Group by applying proportionate consolidation under HKAS 31, has been included above and fully explained in note (b) below.

(b) HKAS 31 — Interests in Joint Ventures

In prior periods, the Group's interests in jointly-controlled entities were accounted for using the equity method. Upon adoption of HKAS 31, the Group has elected to use proportionate consolidation to account for its interests in jointly-controlled entities.

This change in accounting policy has had no effect on the Group's net assets and retained profits. However, the comparatives of the condensed consolidated balance sheet as at 31 December 2004 and the condensed income statement for the period ended 30 June 2004 have been restated to account for the Group's share of each of the assets, liabilities , income and expenses of its jointly-controlled entities under proportionate consolidation.

The effect on the condensed consolidated balance sheet is summarised as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
Increase in:		
Property, plant and equipment	**42,392**	16,305
Prepaid land premiums	**9,862**	1,798
Loan to a jointly-controlled entity	**20,000**	20,000
Inventories	**3,613**	4,102
Trade receivables	**6,164**	3,825
Prepayments, deposits and other receivables	**10,312**	190
Balances with joint venturers	**11,376**	319
Cash and cash equivalents	**18,086**	64,034
Interest-bearing bank loans, secured	**(11,625)**	(11,625)
Trade payables	**(494)**	(404)
Other payables and accruals	**(13,001)**	(1,175)
Due to minority shareholders	**(1,992)**	(1,660)
Decrease in interests in joint-controlled entities	**94,693**	95,709

1. ACCOUNTING POLICIES (Continued)

(b) HKAS 31 — Interests in Joint Ventures (Continued)

The effect on the condensed consolidated income statement is summarised as follows:

	For the six months ended	
	30 June 2005 HK$'000	30 June 2004 HK$'000
Increase in:		
Turnover	**17,743**	11,423
Cost of sales	**(14,983)**	(12,119)
Other income	**222**	83
Selling and distribution costs	**(1,762)**	(2,265)
Administrative expenses	**(2,009)**	(115)
Finance costs	**(227)**	(7)
Decrease in share of losses of jointly-controlled entities	**(1,016)**	(3,000)

In connection with the above, all significant transactions between the Group and the jointly-controlled entities, to the extent attributable by the Group, are eliminated on proportionate consolidation. The effect so arising on the condensed consolidated income statement is summarised below:

	For the six months ended	
	30 June 2005 HK$'000	30 June 2004 HK$'000
Decrease in:		
Turnover	**10,542**	11,052
Cost of sales	**(10,542)**	(11,052)

The condensed cash flow statements and the accompanying notes to the condensed interim financial statements have been restated to reflect the above changes. However, there was no impact on basic and diluted earnings per share from the adoption of HKAS 31.

1. ACCOUNTING POLICIES (Continued)

(c) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior periods, goodwill arising on acquisition was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

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

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. In this connection, comparative amounts have not been restated.

2. SEGMENT INFORMATION

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

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

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

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

2. SEGMENT INFORMATION (Continued)

(a) Business segments

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	Six months ended 30 June							
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000 (Restated)	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000 (Restated)	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000 (Restated)	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000 (Restated)
Segment revenue:								
Sales to external customers	**857,369**	622,801	**973,513**	831,226	**—**	—	**1,830,882**	1,454,027
Intersegment sales	**401,267**	312,760	**—**	—	**(401,267)**	(312,760)	**—**	—
Total revenue	**1,258,636**	935,561	**973,513**	831,226	**(401,267)**	(312,760)	**1,830,882**	1,454,027
Segment results	**172,890**	199,314	**187,552**	329,851	**—**	—	**360,442**	529,165
Unallocated revenue							**13,157**	7,561
Unallocated expenses							**(7,667)**	(6,794)
Finance costs							**(30,575)**	(16,658)
Profit before tax							**335,357**	513,274
Tax							**(25,170)**	(33,649)
Profit for the period							**310,187**	479,625

(b) Geographical segments

	Mainland China		Countries other than Mainland China		Consolidated	
	Six months ended 30 June					
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000 (Restated)	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000 (Restated)	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000 (Restated)
Segment revenue:						
Sales to external customers	**1,507,147**	1,173,868	**323,735**	280,159	**1,830,882**	1,454,027

3. OTHER INCOME

	For the six months ended	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Interest income	**4,529**	895
Sales of scraps	**6,545**	3,869
Others	**2,083**	2,797
	13,157	7,561

4. FINANCE COSTS

	For the six months ended	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Interest on bank loans:		
Wholly repayable within five years	**41,387**	21,752
Repayable beyond five years	**66**	98
	41,453	21,850
Amortisation of fees incurred for the granting of banking facilities	**1,808**	1,808
	43,261	23,658
Less: Interest capitalised	**(12,686)**	(7,000)
	30,575	16,658

5. PROFIT BEFORE TAX

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

	For the six months ended	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Depreciation	**101,021**	48,699
Amortisation of prepaid land premiums	**2,841**	1,868
Loss on disposal of fixed assets	**—**	1,089
Provision for bad and doubtful debts	**—**	3,882
Amortisation of fees incurred for the granting of banking facilities	**1,808**	1,808
Amortisation of goodwill	**—**	338

6. TAX

	For the six months ended	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Provisions for the current period:		
Hong Kong	**—**	—
PRC corporate income tax	**25,170**	33,649
Tax charge for the period	**25,170**	33,649

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

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

6. TAX (Continued)

No provision for income tax has been made for five of the Group's PRC subsidiaries and one jointly-controlled entity as it remains exempt from income tax for the first profitable year of its operations.

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

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the Period of approximately HK$250,568,000 (2004: HK$420,991,000) and the weighted average number of 2,258,920,329 (2004: 2,043,408,404) ordinary shares in issue during the Period.

The calculation of diluted earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the Period of approximately HK$250,568,000 (2004: HK$420,991,000) and on 2,281,967,637 (2004: 2,128,487,474) ordinary shares, being the weighted average number of 2,258,920,329 (2004: 2,043,408,404) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, plus the weighted average of 23,047,308 (2004: 85,079,070) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the Period.

At the balance sheet date, the Company had bonus warrants. Since the exercise price of these bonus warrants was higher than the average market price of the Company's ordinary shares during the period, for the purpose of calculating the diluted earnings per share, no shares were assumed to have been issued of such warrants outstanding during the Period.

8. DIVIDEND

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim — HK2.0 cents (2004: HK2.5 cents) cents per Share	**45,768**	52,200

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 180 days.

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

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000 (Restated)
Current–30 days	**394,363**	438,596
31–60 days	**98,193**	132,006
61–90 days	**78,874**	145,342
Over 90 days	**276,874**	86,655
Total	**848,304**	802,599

10. TRADE PAYABLES

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

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000 (Restated)
Current–30 days	**128,659**	107,630
31–60 days	**19,897**	12,325
61–90 days	**14,085**	6,484
Over 90 days	**61,670**	24,667
Total	**224,311**	151,106

11. SHARE CAPITAL

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

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Authorised:		
10,000,000,000 (31 December 2004: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
2,288,406,752 (31 December 2004: 2,238,986,700) ordinary shares of HK$0.10 each	**228,841**	223,899

	Issue share capital '000	**Par value** HK$'000
Issued share capital as at 1 January 2005 (Audited)	2,238,987	223,899
Exercise of share options and warrants (Note)	49,420	4,942
Share capital as at 30 June 2005 (Unaudited)	2,288,407	228,841

Note: During the period, 49,420,000 share options and 52 warrants were exercised which resulted in the issue of 49,420,052 ordinary shares of the Company amounting to HK$4,942,005 and share premium of HK$102,489,000. No significant issue expenses have been noted.

12. CONTINGENT LIABILITIES

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

At 30 June 2005, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$891,577,000 (31 December 2004: HK$860,978,000).

At 30 June 2005, the Company had provided guarantee to a jointly-controlled entity in favour of the bank for banking facilities granted to this jointly-controlled entity. At the balance sheet date, this jointly-controlled entity utilised the banking facilities to the extent of approximately HK$11,625,000 (31 December 2004: HK$11,625,000) (see also note 14(a)(iv)).

13. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Contracted, but not provided for:		
Leasehold buildings	**414,523**	194,619
Plant and machinery	**159,000**	11,295
Acquisition of Dacheng Industrial (see also note 16)	**900,000**	—
	1,473,523	205,914
Authorised but not contracted for:		
Capital contributions payable to subsidiaries	**85,250**	93,000
	1,558,773	298,914

14. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

(i) During the Period, the Group sold goods and charged utility costs to a jointly-controlled entity amounting to approximately HK$10,542,000 (2004: HK$11,502,000) and HK$1,633,000 (Period ended 30 June 2004: HK$1,445,000), respectively. These sales and utility costs were shown based on proportionate consolidation of the financial statements of the jointly-controlled entities of the Group. The sales were made at prices which are comparable to the prices offered to other customers of the Group and the utility costs were charged based on the actual costs incurred.

(ii) During the Period, the Group sold goods to Mitsui & Co., Ltd., Mitsui & Co. (Canada) Ltd. and Mitsui & Company (Hong Kong) Ltd., in aggregate amounting to approximately HK$14,353,000 (2004: HK$763,000). In the opinion of the directors, the above mentioned companies are subsidiaries of Mitsui & Co., Ltd., which is the joint venture partner of a jointly-controlled entity in which the Group effectively held 51% equity interest. The aforesaid transactions were made at prices mutually agreed between the parties.

(iii) During the Period, the Group sold goods to Cargill, Incorporated and its subsidiary in aggregate amounting to approximately HK$7,262,000 (2004: Nil). Cargill, Incorporated is the joint venture partner of a jointly-controlled entity in which the Group effectively held 50% equity interest. The aforesaid transactions were made at prices mutually agreed between the parties.

14. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

(iv) At 30 June 2005, the Company had issued a guarantee to secure certain of a jointly-controlled entity's bank loans aggregating HK$15,113,000 (31 December 2004: HK$15,113,000). At the balance sheet date, HK$11,625,000 (31 December 2004: HK$11,625,000) were utilised by this jointly-controlled entity.

(v) At 30 June 2005, a corporate guarantee of HK$74,766,000 (31 December 2004: HK$37,883,000) was given by Dacheng Industrial, a minority shareholder of certain subsidiaries of the Group. At the balance sheet date, HK$74,766,000 (31 December 2004: HK$37,883,000) were utilised by a subsidiary of the Group.

(vi) Pursuant to an agreement entered into by a jointly-controlled entity ("Dacheng Nikken") in which the Group effectively owns 51% equity interest with Dacheng Industrial, which is a minority shareholder of certain subsidiaries of the Group, Dacheng Nikken acquired a piece of land from Dacheng Industrial for the construction of a sorbitol plant at a cash consideration of approximately RMB17,417,000 (equivalent to approximately HK$16,278,000). The transaction was completed during the Period.

(b) Balances with related parties

(i) *Loan advanced to a jointly-controlled entity*

The long term loan advanced to a jointly-controlled entity is equity in nature at an original amount of HK$40,000,000. The loan is unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of this jointly-controlled entity, whenever is the earlier. In prior periods, the loan was stated at cost. With the adoption of HKAS 31 as explained in note 1, the loan balance presented in the condensed consolidated balance sheet of the Group of HK$20,000,000 represented the loan receivable by the Group, after elimination made based on proportionate consolidation of the Group's interest in this jointly-controlled entity.

(ii) *Amounts due from/(to) jointly-controlled entities*

Amounts due from/(to) jointly-controlled entities presented in the condensed consolidated balance sheet of the Group represented the current account balances with jointly-controlled entities, which were shown based on proportionate consolidation of the financial statements of these jointly-controlled entities. The balances are unsecured, interest-free and repayable on demand.

14. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**7,426**	6,288
Post-employment benefits	**36**	36
Total compensation paid to key management personnel	**7,462**	6,324

15. POST BALANCE SHEET EVENTS

1. Acquisition of Dacheng Industrial

On 29 June 2005, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement ("the Agreement") for the purchase of the entire interest in Dacheng Industrial at a consideration of approximately HK$900 million. The principal activity of Dacheng Industrial is investment holding. It holds equity interests in the Company's non-wholly-owned subsidiaries ("Subject GBT subsidiaries") and certain vacant sites of approximately 890,000 square meters for industrial uses near the main production plant of the Group located in Changchun, the PRC. On 8 August 2005, an ordinary resolution was passed to approve the Agreement. Upon the completion of the acquisition, Dacheng Industrial will become a wholly-owned subsidiary of the Company and, through Dacheng Industrial and other wholly-owned subsidiaries of the Company, the Company will hold 100% equity interest in all Subject GBT Subsidiaries. As of the date of this report, the acquisition has been completed.

2. Inception of a syndicated loan

On 2 September 2005, the Company, as borrower, entered into a facility agreement with, among others, certain bankers in respect of term loan facilities of up to US$120 million (HK$836 million) and revolving loan facilities of up to US$60 million (HK$468 million), totalling up to US$180 million (HK$1,404 million), to be made available to the Company by a syndicate of lenders. Interest on outstanding borrowings under this facility is charged at LIBOR plus 0.88% per annum.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 22 September 2005.

ERNST & YOUNG
安永會計師事務所

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

We have been instructed by the Company to review the interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as set out on pages 19 to 37.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the condensed consolidated interim financial statements to be in compliance with the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The condensed consolidated interim financial statements is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the condensed consolidated interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied and adequately disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for the six months ended 30 June 2005.

Ernst & Young
Certified Public Accountants

Hong Kong, 22 September 2005