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CORPORATE INFORMATION

Board of Directors

Mr. Liu Xiaoming	Chairman
Mr. Kong Zhanpeng	Executive Director
Mr. Au Chun Fat	Executive Director
Mr. Wang Tiegung	Executive Director
Mr. Lee Yuen Kwong	Independent Non-Executive Director
Mr. Chan Man Hon, Eric	Independent Non-Executive Director

Company Secretary

Mr. Ng Wai Kee FHKSA, FCCA

Registered Office

Zephyr House, Mary Street
George Town, Grand Cayman
British West Indies

Head Office and Principal Place of Business in Hong Kong

Unit 703A, Admiralty Centre, Tower 1
18 Harcourt Road, Central
Hong Kong

Unit 1104, Admiralty Centre, Tower 1
18 Harcourt Road, Central
Hong Kong
(with effect from January 2002)

Auditors

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

Legal Advisers

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

Principal Bankers

The Kwangtung Provincial Bank
Hong Kong Branch
1st Floor, Euro Trade Centre
13-14 Connaught Road, Central
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
4th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

Closure of Register of Members

3 October 2001 to 5 October 2001
(both days inclusive)

Date of Payment of Interim Dividend

24 October 2001

Stock Code: 809

Business Website:

www.globalbiochem.com

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2001	2000	change %
TURNOVER	HK\$686,065,000	HK\$513,884,000	34
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	HK\$164,228,000	HK\$80,860,000	103
BASIC EARNINGS PER SHARE	HK14.3 cents	HK8.4 cents	70
INTERIM DIVIDEND PER SHARE	HK1.5 cents	Nil	Not applicable

The board (the "Board") of directors (the "Directors") of Global Bio-chem Technology Group Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2001. The results had been reviewed by the Company's auditors, Ernst & Young, and the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	2	686,065	513,884
Cost of sales		<u>(412,977)</u>	<u>(358,026)</u>
Gross profit		273,088	155,858
Other revenue		3,894	3,084
Selling and distribution expenses		(22,685)	(18,419)
Administrative expenses		(24,217)	(15,940)
Other operating expenses		<u>(9,306)</u>	<u>(5,971)</u>
PROFIT FROM OPERATING ACTIVITIES	2, 3	220,774	118,612
Finance costs	4	<u>(23,306)</u>	<u>(16,165)</u>
PROFIT BEFORE TAX		197,468	102,447
Tax	5	<u>(10,358)</u>	<u>(5,259)</u>
PROFIT BEFORE MINORITY INTERESTS		187,110	97,188
Minority interests		<u>(22,882)</u>	<u>(16,328)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>164,228</u>	<u>80,860</u>
DIVIDEND	6	<u>19,200</u>	—
EARNINGS PER SHARE	7		
– Basic		<u>HK14.3 cents</u>	<u>HK8.4 cents</u>
– Diluted		<u>HK14.2 cents</u>	<u>HK8.4 cents</u>

Other than the net profit from ordinary activities attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		833,230	694,295
Deposits for fixed assets		85,241	—
		<u>918,471</u>	<u>694,295</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		76,156	84,907
Inventories		142,346	90,415
Trade receivables	8	238,056	228,253
Cash and bank balances		430,058	95,731
		<u>886,616</u>	<u>499,306</u>
CURRENT LIABILITIES			
Interest-bearing bank loans		519,071	243,313
Trade payables	9	82,085	74,458
Other payables and accruals		41,653	25,455
Tax payable		10,733	14,227
		<u>653,542</u>	<u>357,453</u>
NET CURRENT ASSETS		<u>233,074</u>	<u>141,853</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,151,545	836,148
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		137,383	296,729
MINORITY INTERESTS		<u>204,496</u>	<u>172,382</u>
		<u>809,666</u>	<u>367,037</u>
CAPITAL AND RESERVES			
Issued capital	10	128,000	200
Reserves	11	681,666	366,837
		<u>809,666</u>	<u>367,037</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2001 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	207,460
Net cash outflow from returns on investments and servicing of finance	(20,058)
Taxes paid	(13,852)
Net cash outflow from investing activities	<u>(243,268)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(69,718)
Net cash inflow from financing activities	<u>404,045</u>
INCREASE IN CASH AND CASH EQUIVALENTS	334,327
Cash and cash equivalents at beginning of period	<u>95,731</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>430,058</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	<u><u>430,058</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2001

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The Company was incorporated as an exempt company with limited liability in the Cayman Islands on 18 May 2000 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 1 March 2001. The shares of the Company were listed on the Stock Exchange on 16 March 2001. The Group reorganisation involved companies under common control. The condensed consolidated interim financial statements for the six months ended 30 June 2001 have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions". Under this basis, the condensed consolidated interim financial statements for the six months ended 30 June 2001 together with the comparative figures of the corresponding period last year and the related notes thereto have also been presented in these condensed consolidated interim financial statements on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries pursuant to the Group reorganisation on 1 March 2001, or since the respective dates of their incorporation/establishment, where this is a shorter period.

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.125 "Interim Financial Reporting", except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The basis of presentation and accounting policies adopted in these condensed consolidated interim financial statements are consistent with those used by the Group in presenting the annual financial statements for the year ended 31 December 2000.

2. SEGMENTAL INFORMATION

An analysis of the Group's consolidated turnover and contribution to profit from operating activities by principal activity and geographical area for the six months ended 30 June 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 30 June 2001 HK\$'000	2000 HK\$'000	Six months ended 30 June 2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacture and sale of:				
Corn refined products	376,687	403,604	73,199	68,434
Corn based biochemical products	309,378	110,280	147,575	50,178
	<u>686,065</u>	<u>513,884</u>	<u>220,774</u>	<u>118,612</u>
By geographical area:				
The People's Republic of China (the "PRC")	633,569	486,665	213,440	114,720
Other Asian countries	52,496	27,219	7,334	3,892
	<u>686,065</u>	<u>513,884</u>	<u>220,774</u>	<u>118,612</u>

3. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities for the period is arrived at after charging depreciation of approximately HK\$19,738,000 (2000: HK\$15,288,000) in respect of the Group's fixed assets.

4. FINANCE COSTS

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans		
wholly repayable within five years	23,952	16,310
Less: Interest capitalised	<u>(646)</u>	<u>(145)</u>
	<u>23,306</u>	<u>16,165</u>

5. TAX

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	—	—
Elsewhere	<u>10,358</u>	<u>5,259</u>
Tax charge for the period	<u>10,358</u>	<u>5,259</u>

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 (2000: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the period (2000: Nil).

6. DIVIDEND

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interim dividend of HK1.5 cents (2000: Nil) per ordinary share	19,200	—

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2001 is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$164,228,000 (2000: HK\$80,860,000) and the weighted average number of 1,150,939,226 (2000: 960,000,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2001 is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$164,228,000 (2000: HK\$80,860,000) and on 1,155,199,947 (2000: 960,000,000) ordinary shares, being the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

8. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days. All trade receivables as at 30 June 2001 and 31 December 2000 were aged less than 90 days from the date of recognition of the sale. At the date of this interim report, trade receivables of approximately HK\$193,472,000 had been settled.

9. TRADE PAYABLES

All trade payables as at 30 June 2001 and 31 December 2000 were aged less than 90 days from the date of receipt of the goods purchased.

10. SHARE CAPITAL

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

	Number of authorised shares '000	Number of issued shares '000	Nominal value of shares issued HK\$'000
Shares allotted and issued nil paid on incorporation	1,000	1,000	—
Increase in authorised share capital	2,999,000	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of a subsidiary	—	1,000	100
Application of capital reserve to pay up nil paid shares	—	—	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	—	958,000	—
Pro forma share capital as at 31 December 2000	3,000,000	960,000	200
Capitalisation of the share premium account as set out above	—	—	95,800
New issue on public listing	—	320,000	32,000
Share capital as at 30 June 2001	<u>3,000,000</u>	<u>1,280,000</u>	<u>128,000</u>

11. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed asset revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group						
At 1 January 2001	—	1	6,151	5,656	355,029	366,837
Issue of shares	294,400	—	—	—	—	294,400
Capitalisation issue	(95,800)	—	—	—	—	(95,800)
Share issue expenses	(47,999)	—	—	—	—	(47,999)
Net profit for the period	—	—	—	—	164,228	164,228
At 30 June 2001	<u>150,601</u>	<u>1</u>	<u>6,151</u>	<u>5,656</u>	<u>519,257</u>	<u>681,666</u>

12. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Sale of goods to Lucky Summit Development Limited ("Lucky Summit")	—	22,039
Purchases of raw materials from Jilin Province Jiliang Shuang Lung Cereal Warehouse ("Jilin Warehouse")	3,252	4,782
Purchases of machinery from Lucky Summit	—	6,731

Mr. Liu Xiaoming and Mr. Kong Zhanpeng, the Directors, are the directors and shareholders of Lucky Summit.

Jilin Province Jiliang Cereal Group Co. Ltd., a minority shareholder with a 15% interest in a subsidiary of the Company, is the holding company of Jilin Warehouse.

In the opinion of the Directors, the sale of goods to Lucky Summit and purchases of raw materials from Jilin Warehouse were carried out in the ordinary course of business of the Group and were effected on prices and terms similar to other customers and suppliers, respectively. The purchases of machinery represented the actual costs incurred by Lucky Summit.

13. COMMITMENTS

At 30 June 2001, the Group had the following outstanding commitments:

	30 June	31 December
	2001	2000
	HK\$'000	HK\$'000
(a) Contracted capital commitments in respect of leasehold land and buildings	26,784	8,527
(b) Future aggregate lease payments under non-cancellable operating leases in respect of:		
Leasehold land and building expiring:		
Within one year	378	755
In the second to fifth years, inclusive	—	248
Plant and machinery expiring:		
Within one year	140	280
	518	1,283

14. POST BALANCE SHEET EVENT

Subsequent to 30 June 2001, on 8 August 2001, the Company and Cargill, Incorporated ("Cargill") entered into a master joint venture structure agreement (the "Agreement"). Pursuant to the Agreement, the Company and Cargill have conditionally agreed to incorporate a joint venture company (the "JVC") in Hong Kong as their joint venture investment vehicle and will cause the JVC to establish a subsidiary of the JVC (the "JVC Subsidiary") in Shanghai, the PRC as a wholly foreign-owned enterprise with limited liability to build and operate a refinery for the production of high fructose corn syrup and other products. The JVC shall be equally owned as to 50% by the Company and 50% by Cargill. At the date of this interim report, the capital commitments of the JVC and the JVC Subsidiary have not yet been ascertained. In the event that the capital commitments so finalised between the parties constitute a notifiable transaction of the Company under the Listing Rules, an appropriate announcement will be made.

MANAGEMENT DISCUSSION AND ANALYSIS

Products of the Group

The Group's corn refined products mainly comprise corn starch, corn gluten, corn oil and feed. These products are further refined or processed into a wide range of value-enhanced corn based biochemical products, such as modified starch, corn sweeteners and amino acids including lysine.

Operating environment

In the first half of 2001, the continuous growth of the PRC economy provided a favourable operating environment for the Group. Sales and profit margins of corn based biochemical products increased substantially compared with the same period last year. This further consolidated the Group's position as one of Asia's leading integrated agro-biochemical companies.

Despite the gradual price increase in the Group's principal raw material, corn kernels, gross profit margins of corn refined products increased slightly as the Group was able to pass on the increased cost to its customers. The Group adopted a strategy of bulk purchase of raw materials at competitive prices in order to minimise the effect of price fluctuations.

The price of lysine (a substitute of animal-based proteins in animal feed) was stable, except that during the first quarter of 2001, the price increased as a result of the mad cow disease in Europe.

Financial performance

The Group's unaudited consolidated turnover and net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2001 were approximately HK\$686 million and approximately HK\$164 million, representing significant growth rates of approximately 34% and 103% respectively as compared to the same period last year.

The principal market of the Group remains the PRC which accounted for approximately 92% of the Group's turnover. Sales to overseas markets including Korea, Japan and Taiwan together amounted to approximately HK\$52 million, representing an increase of approximately 93% compared to the same period last year.

The Group has been engaged in the commercial production of corn sweeteners and lysine, one of the more widely used amino acids, since mid 2000. In view of the increasing demand for these products, the Group achieved a remarkable growth in the sales of corn based biochemical products to approximately HK\$309 million as compared to the same period last year. The Group's continuing efforts in expanding the production of its downstream corn based biochemical

products led to higher internal consumption of corn starch for the production of such products. As a result, sales of corn based refined products dropped slightly by approximately 7% to approximately HK\$377 million. Profit margins of both corn based biochemical products and refined products increased slightly during the period as compared to that of the corresponding period last year. As a result of the change in the product mix towards higher margin corn based biochemical products, overall gross profit margin increased from approximately 30% to approximately 40%.

With a view to expanding the Group's products and improving its production technology, the Group incurred approximately HK\$9 million on research and development of value-enhanced corn based biochemical products, which was approximately 56% more than the same period last year. Increases in other expenses were in line with the increase in turnover.

The interest expense for the six months ended 30 June 2001 was approximately HK\$23 million. Compared with that of the corresponding period of the previous year which amounted to approximately HK\$16 million, the percentage increase in interest expense was in line with the percentage increase in the amount of bank borrowings. The additional bank borrowings incurred were mainly deployed to expand the Group's production capacity.

As there was no significant change in the bases or rates of profits tax, the effective tax rate on the Group's profit remained at approximately 5%. Net profit from ordinary activities attributable to shareholders increased by approximately HK\$83 million to approximately HK\$164 million.

Liquidity and financial resources

Net current assets of the Group amounted to approximately HK\$233 million as at 30 June 2001 (31 December 2000: HK\$142 million) comprising inventories of approximately HK\$142 million (31 December 2000: HK\$90 million), trade and other receivables of approximately HK\$314 million (31 December 2000: HK\$313 million), cash and bank balances of approximately HK\$430 million (31 December 2000: HK\$96 million) and current liabilities of approximately HK\$653 million (31 December 2000: HK\$357 million). The cash and bank balances included approximately HK\$190 million of net proceeds from the Company's share offer in March 2001 which have not yet been applied. The current ratio slightly decreased from approximately 1.40 as at 31 December 2000 to approximately 1.36 as at 30 June 2001 mainly due to the reclassification of a long term bank borrowing of HK\$150 million as at 31 December 2000 to current liability.

The Group had interest bearing borrowings of approximately HK\$656 million as at 30 June 2001 (31 December 2000: HK\$540 million), representing an increase of approximately 21% over the amount as at 31 December 2000. The increased amount of borrowings was principally utilised for the expansion of the Group's production capacity. Approximately 28% of the total borrowings were denominated in Hong Kong dollars and United States dollars while the remainder was

denominated in Renminbi. The maturity profile of the Group's outstanding borrowings is spread over a period of 3 years, with approximately 79% of the borrowings repayable within one year. Certain assets of the Group have been pledged to secure its borrowings, comprising a bank deposit of approximately HK\$150 million (31 December 2000: HK\$150 million) and fixed assets with carrying value of approximately HK\$226 million as at 30 June 2001 (31 December 2000: HK\$235 million).

At 30 June 2001, the Group had total assets of approximately HK\$1.8 billion (31 December 2000: HK\$1.2 billion) which were financed by current liabilities of approximately HK\$653 million (31 December 2000: HK\$357 million), non-current liabilities of approximately HK\$137 million (31 December 2000: HK\$297 million), minority interests of approximately HK\$204 million (31 December 2000: HK\$172 million) and shareholders equity of approximately HK\$810 million (31 December 2000: HK\$367 million). The Group's gearing ratio as at 30 June 2001 was approximately 36% (31 December 2000: 45%), which was calculated based on the aggregate amount of bank borrowings of approximately HK\$656 million (31 December 2000: HK\$540 million) and total assets of approximately HK\$1.8 billion (31 December 2000: HK\$1.2 billion).

Although significant portions of the Group's borrowings, turnover and purchases are primarily denominated in Renminbi, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the Renminbi. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of its borrowings and for future dividends payable to shareholders. During the period under review, 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 2001.

Product development and production capacity expansion

Progress of the product development and capacity expansion programs as shown in the prospectus dated 7 March 2001 is summarised below:

- expansion of corn processing capacity in Changchun from 600,000 metric tonnes to 1,200,000 metric tonnes per annum is expected to be in place by the end of 2001;
- expansion of production capacity of corn sweeteners in Shanghai from 60,000 metric tonnes to 150,000 metric tonnes per annum is expected to be completed on schedule at the end of 2001;
- expansion of lysine production capacity in Changchun from 15,000 metric tonnes to 40,000 metric tonnes per annum will be reached before the end of 2001;

- expansion of production capacity of modified starch in Changchun from 30,000 metric tonnes to 230,000 metric tonnes per annum is scheduled for completion in the first half of 2002; and
- trial production of biochemical feed and biochemical fertiliser commenced during the period under review. The Directors intend to launch these products under appropriate market conditions.

In addition to the above, the Group also commenced research and development activities for the production of other types of high value corn based biochemical products such as ethanol and biodegradable plastic. It is the Group's strategy to commercialise at least one new type of corn based biochemical product every two years.

Prospects

The Directors believe that the demand for the Group's products will remain strong in the PRC, its principal market, for the remaining half of the financial year and beyond. Our plan to expand the production capacity of lysine to 40,000 metric tonnes per annum has been accelerated while the expansion plan for the production capacity of corn sweeteners to 150,000 metric tonnes per annum is on track to complement the Group's objective in further expanding its market share of downstream corn based biochemical products. Investments have been made to expand the Group's corn processing capacity by an additional 600,000 metric tonnes per annum and the associated construction work is scheduled to be completed by the end of 2001. Upon completion, the Group will achieve a stable and sufficient supply of corn starch to accommodate internal consumption while enabling it to maintain its market share in corn refined products.

The Directors are optimistic that the Group will benefit from the anticipated growth of the PRC economy after China's accession to the World Trade Organisation. It is expected that it will not only lift the export sales of the Group but also lower the price of corn kernels currently acquired locally or imported from overseas. Furthermore, the continuous improvement in general living standards in China will create favourable market conditions for consumer-related products, such as corn sweeteners, which are widely used in confectionary, frozen and cold desserts, cakes and beverages.

To further enhance the Group's market penetration and its leading position in the industry in the PRC, its distribution network is expanding through the setting up of additional point of sales in five major cities (namely, Chongqing, Dalian, Qingdao, Xian and Zhengzhou). It is expected that these points of sales will become operational by end of 2001. Although the sales to overseas market has shown remarkable growth during the period under review, in view of the economic and political turmoil in most Asian countries, the Group will be extremely cautious in establishing overseas sales office.

The Group is actively identifying new opportunities to provide the Group with a platform to build a sustainable and high growth business. Accordingly, on 8 August 2001, the Company entered into a conditional agreement with Cargill to incorporate the JVC in Hong Kong which will be owned as to 50% by the Group and 50% by Cargill. Cargill, one of the Group's strategic investors, is an international marketer, processor and distributor of agricultural, food, financial and industrial products and services. The JVC, which is to serve as their joint investment vehicle, will establish the JVC Subsidiary in Shanghai to build and operate a refinery for the production of high fructose corn syrup ("HFCS") and other products which both parties may decide from time to time to produce. HFCS is one of the widely used corn sweeteners for soft drinks and other food and beverage products. The Board is optimistic that, upon the commencement of operation of the proposed refinery, the market share and prospects of the Group will increase substantially.

Use of net proceeds from the new issue

The net proceeds from the placing and public offering of the Company amounted to approximately HK\$278 million. At the date of this interim report, the Group has utilised a total of approximately HK\$88 million of the proceeds. Approximately HK\$61 million, HK\$4 million, HK\$1 million and HK\$22 million have been applied towards the construction of a new production plant in the PRC, research and development activities, expansion of the Group's distribution and sales network and as general working capital respectively. The remaining proceeds are placed on short-term deposits with licensed banks in Hong Kong.

Number and remuneration of employees

The Group employs a total of approximately 800 full time employees in Hong Kong and the PRC. The Group recognises the importance of its human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commissions. On 14 May 2001, the Company granted share options to certain eligible staff including the Directors to acquire a total of 38,400,000 shares of HK\$0.10 each in the capital of the Company at an exercise price of HK\$0.98 per share. The share options are exercisable from 14 May 2001 to 13 May 2011. At the date of this interim report, none of the options have been exercised.

DISCLOSURE OF ADDITIONAL INFORMATION

Interim dividend

The Board has declared an interim dividend of HK1.5 cents per ordinary share (2000: Nil) in respect of the six months ended 30 June 2001. The Board expects that the interim dividend declared will be paid on or around 24 October 2001.

Directors' interests in shares

At 30 June 2001, the interests of the Directors in the issued share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were set out below:

Name of directors	Notes	Nature of interest	Number of ordinary shares held
Mr. Liu Xiaoming	1	Corporate	288,000,000
Mr. Au Chun Fat	2	Corporate	288,000,000
Mr. Kong Zhanpeng	2	Corporate	288,000,000
Mr. Au Chun Fat	3	Corporate	240,000,000

Notes:

1. These 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. These shares are owned by Hartington Profits Limited, a company incorporated in BVI. Each of Mr. Au Chun Fat and Mr. Kong Zhanpeng, is beneficially interested in 50% of the issued share capital of Hartington Profits Limited and are each deemed to be interested in all of the shares held by Hartington Profits Limited.
3. These shares are owned by In-depth Profits Limited, a company incorporated in the BVI. The entire issued share capital of In-depth Profits Limited is beneficially owned by Mr. Au Chun Fat.

Save as disclosed above, none of the Directors, chief executives or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' rights to acquire shares

Pursuant to the Company's share option scheme, the following options were granted to the following Directors during the period, at a cash consideration of HK\$1 per grantee, to subscribe for ordinary shares of the Company at a subscription price of HK\$0.98 per share. Such options have the following exercise periods and remained outstanding at the date of this interim report.

Directors	Number of options	Exercise period
Mr. Liu Xiaoming	6,912,000	14 May 2001 to 13 May 2011
Mr. Au Chun Fat	6,912,000	14 May 2001 to 13 May 2011
Mr. Kong Zhanpeng	6,912,000	14 May 2001 to 13 May 2011
Mr. Wang Tieguang	6,912,000	14 May 2001 to 13 May 2011

No share options were exercised by the Directors during the period under review.

Save as disclosed above, and other than in connection with the Group reorganisation in preparation for the Company's initial public offering, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
LXM Limited	288,000,000 [#]	22.50%
Hartington Profits Limited	288,000,000 [#]	22.50%
In-depth Profits Limited	240,000,000 [#]	18.75%

[#] The shareholding is duplicated in the directors' interests in shares disclosed above.

Save as disclosed above, no person, other than the Directors whose interests are set out above, had registered an interest in the share capital of the Company as at 30 June 2001 that was required to be recorded under Section 16(1) of the SDI Ordinance.

Purchase, sale or redemption of the company's listed securities

The Company's shares were listed on the Stock Exchange on 16 March 2001. During the period from 16 March 2001 to 30 June 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the company's listed securities.

Code of best practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2001.

Audit committee

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Chan Man Hon, Eric and Mr. Lee Yuen Kwong.

The interim results of the Group for the six months ended 30 June 2001 had not been audited, but had been reviewed by the Company's auditors, Ernst & Young. This interim report had been reviewed by the Company's audit committee.

Closure of register of members

The register of members will close from 3 October 2001 to 5 October 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 28 September 2001.

Interim report and disclosure of information on the website of the stock exchange

The printed copy of the 2001 Interim Report will be sent to shareholders on or around 23 August 2001. The soft copy of the Interim Report will be available on the Company's website at www.globalbiochem.com on or around 23 August 2001. A detailed results report containing all the information required by paragraph 37 of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website www.hkex.com.hk in due course.

On behalf of the Board
Liu Xiaoming
Chairman

Hong Kong, 20 August 2001