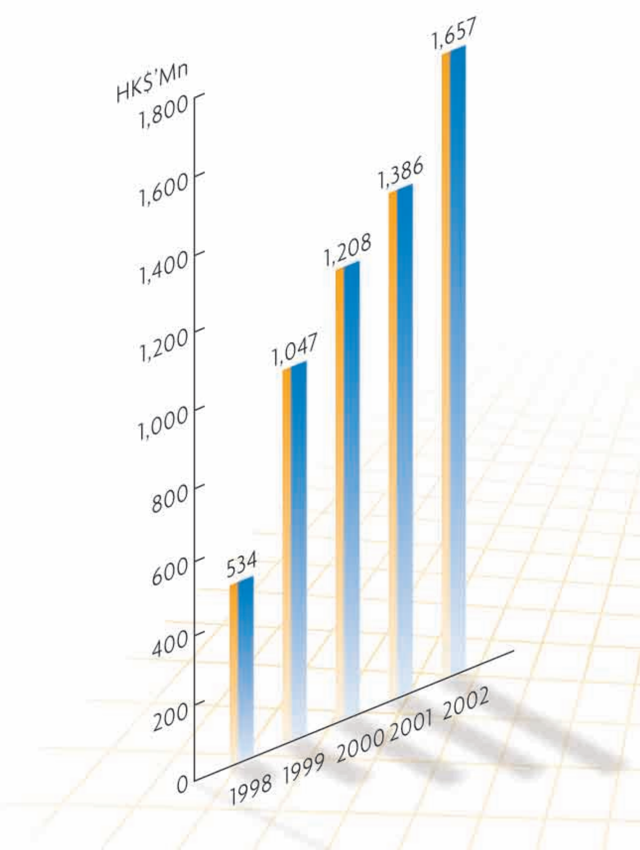
Global Bio-chem Technology Group Company Limited

CONTENTS

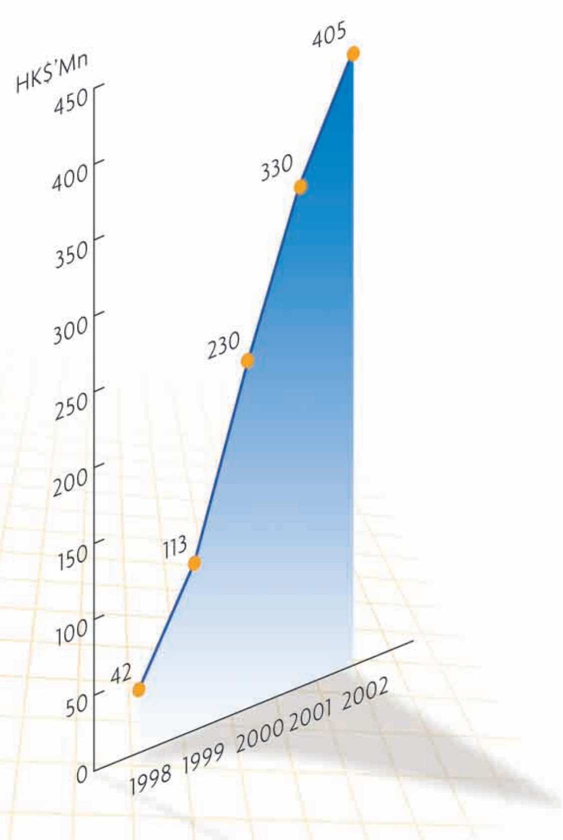
Financial Highlights

	2002	2001	%
	HK$'Mn	HK$'Mn	Change
Turnover	**1,657**	1,386	20
Profit before tax	**496**	405	23
Net profit from ordinary activities attributable to shareholders	**405**	330	23
Earnings per share — basic	**HK21.3 cents**	HK21.4 cents*	0
Dividends per share			
— Interim	**HK1.5 cents**	HK1.25 cents*	20
— Proposed final	**HK2.0 cents**	HK1.67 cents*	20
Issue of bonus share	Nil	1 bonus share for every 5 issued shares	
Return on equity	**21.8%**	23.2%	(6)

* adjusted for the 1 for 5 bonus share issue



Turnover



Net profit from ordinary activities attributable to shareholders

Table of Major Events

2003

January

- Signed Memorandum of Understanding with Mitsui Group on a Sorbitol Joint Venture
- Component Stock at the launch of Hang Seng Freefloat Mainland 25 Index

2002

December

- Selected by Euromoney Magazine as one of the Best Companies in Hong Kong

August

- Annual Corn Processing Capacity increased to 1.2 million metric tonnes from 600,000 metric tonnes

July

- Joint Venture High Fructose Corn Syrup Refinery with Cargill, with 100,000 metric tonnes of annual capacity, commenced production

March

- Annual Lysine Production Capacity increased to 40,000 metric tonnes from 15,000 metric tonnes

February

- Appointment of Patrick Bowe, President of Cargill Sweeteners North America, as Non-executive Director and Steven Wellington as his Alternate

January

- Became a Component Stock of CLSA's China World Index

"Driven by expansion"

CONTINUOUS GROWTH

In 2002, Global Bio-chem recorded continuous growth with its turnover and net profit amounting to HK$1,657 million and HK$405 million respectively, representing an increase of 20% and 23% respectively compared to those of the previous year. Measures adopted by the Group to increase its production capacity of downstream products for the past two years have proved effective and fruitful and brought continuous growth. Global Bio-chem is currently the largest manufacturer of lysine and the largest vertically integrated corn based biochemical product manufacturer in the PRC, as well as the first High Fructose Corn Syrup ("HFCS") manufacturer in the PRC which can mass produce HFCS meeting international standards.

EXPANSION OF DOWNSTREAM PRODUCTS SALES SATISFACTORY

In April 2002, the new lysine production facility with an annual capacity of 25,000 metric tonnes commenced operation, thereby increasing the annual production capacity from 15,000 metric tonnes to 40,000 metric tonnes, and the total volume of lysine produced increased from approximately 13,400 metric tonnes in 2001 to approximately 32,000 metric tonnes in 2002, resulting in sales amounting to HK$451 million. In accordance with the forecast in the interim results, the price of lysine in the second half of the year stopped falling and showed some upward adjustment, the price became more stable, and market demand remained high. Sales and demand for other downstream products, such as modified starch and corn sweeteners also remained stable.

The overall gross profit of the Group remained at a satisfactory level of 39%, as the Group effectively increased the production capacity and the proportion in sales of its high profit margin downstream products.

In order to meet the internal demand for corn starch as raw material, due to the expansion of production of downstream products, the Group's second corn refinery in Changchun with 600,000-metric-tonne annual capacity commenced production in September 2002, thereby increasing annual corn processing capacity to 1.2 million metric tonnes, producing over 800,000 metric tonnes of corn starch, of which a substantial portion was utilized as raw material for downstream products. In view of the continuous enhancement in capacity and variety of downstream products, more corn starch is required as raw material. The Group will expand its annual corn processing capacity further, according to plan, to 1.8 million metric tonnes. The Group is currently contemplating whether to build or acquire such a facility. The Group will accomplish the expansion in the most economical way so as to ensure an adequate supply of high quality and low cost raw material for downstream products.

INVESTMENT IN NEW BIOCHEMICAL PRODUCTS DIVERSIFICATION OF PRODUCTS

In order to maintain its leading position, the Group has devoted much effort to the research and development of high value-added downstream products to diversify its products. In addition, the Group collaborates with various science and academic institutions in the development of new corn based biochemical products, including protein lysine, various other amino acids, different types of modified starches for food and polyol etc., to ensure that a new product is available for market launch each year.

Recently, the Group is planning to produce a new type of protein lysine. Furthermore, the Group plans to construct a new facility to produce glutamic acid, which is a kind of amino acid and one of the principal raw materials used in producing MSG. The expansion project for the production of modified starch used in the paper-making industry is in progress, and is expected to commence operation by the end of this year.

STRATEGIC ALLIANCES WITH MULTINATIONAL CORPORATIONS

The Group engaged itself actively in collaborations with leading multinational corporations in scientific research and development, exchange of expertise as well as production and operation.

In January 2003, the Group signed a memorandum of understanding with Mitsui Corporation 0f Japan to form a joint venture to produce and sell a downstream product, sorbitol, in the PRC. Sorbitol is an organic chemical widely used as an important raw material in the food, pharmaceutical, cosmetic and chemical industries. The collaboration with the Japanese conglomerate facilitates the development of the sorbitol market.

The refinery jointly formed and operated by the Group and Cargill, Inc. ("Cargill") of the USA for the production of HFCS in Shanghai commenced production in the year under review. It has been accredited by domestic and international beverage groups as their supplier of HFCS in the PRC. Eventhough the low market price of sugar in the PRC in 2002 caused a setback in market exploration, with the improving living standard in the PRC and the rapid growth of the food and beverage industry, the Group is confident that the project will bring about good business opportunities and return.

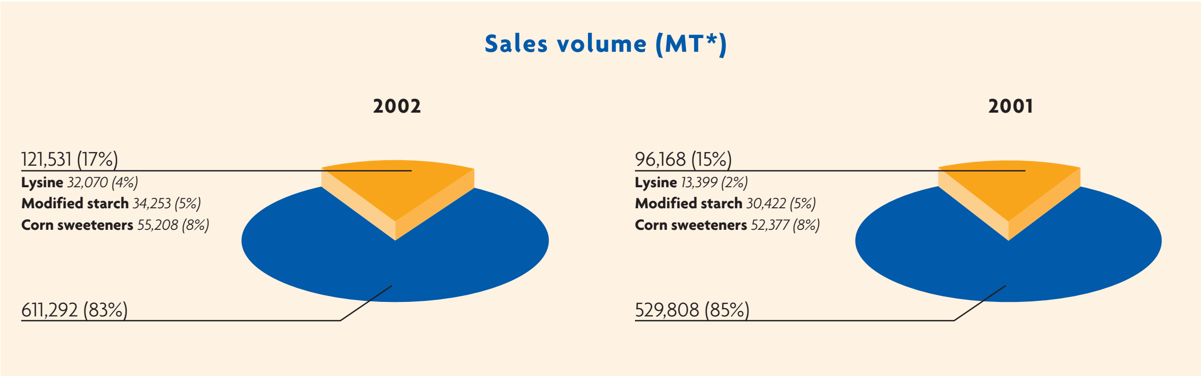
ADHERE TO LONG-RANGE CORPORATE STRATEGIES AND STRENGTHEN CORPORATE GOVERNANCE

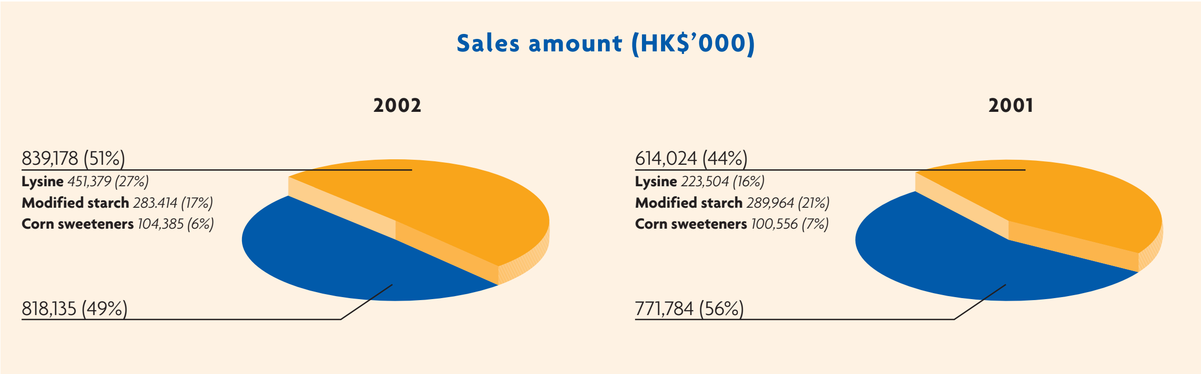
The Group believes that in addition to having practical and long-range corporate strategies in business, sound corporate governance is also crucial to continuous and healthy growth. The Group will follow and strengthen internal monitoring, through strict internal review procedures and monitoring by independent professionals, to ensure that each major transaction is thoroughly evaluated and complies with relevant listing rules. The Group has also formed a special team, led by an executive director of the Company, to facilitate two-way communication with investors and to issue announcements on business development of the Group regularly to maintain transparency so that both investors and the public can monitor the Group.

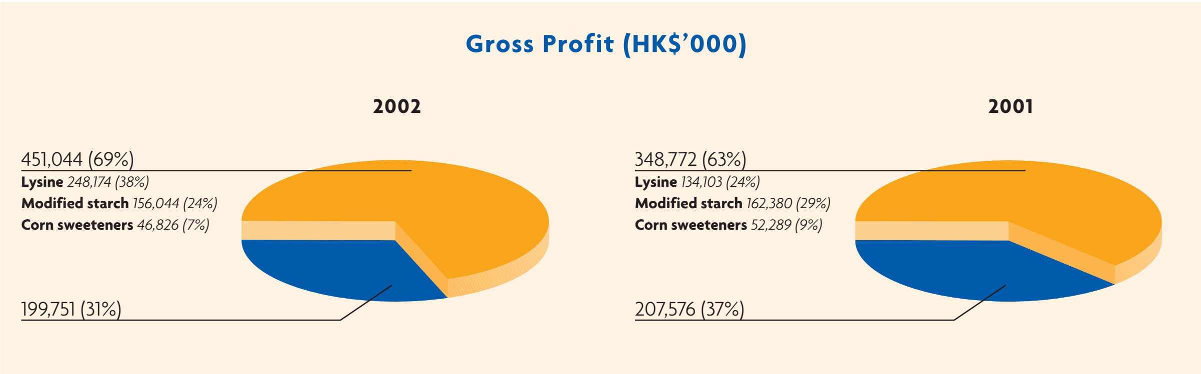
On behalf of Global Bio-chem, I would like to extend my heartfelt thanks to our staff, shareholders, investors, customers and business partners who have rendered continuous support to the Group.

Liu Xiaoming
Chairman
22 April 2003

Sales and Gross Profit Analysis







Corn refined products   Corn based biochemical products

* MT stands for metric tonne

% in bracket represents the percentage of the Group's total.

BUSINESS ENVIRONMENT

In year 2002, the economy of the PRC recorded continuing growth, with increasing demand on the Group's products, which provided a favourable operating environment, while markets in other Asian regions remained stable.

With the PRC's accession to the World Trade Organisation ("WTO"), changes including reduction in import tariffs, extension of import quotas, and reduction in subsidies towards agricultural products inevitably create pressure on the market price of such products. As a result, downward price adjustment of corn kernels, the principal raw material of the Group, persisted during the year under review, which, in fact, reduced the cost of production. At the same time, the average selling price of most of the Group's products adjusted downward due to increasing competition and the effect arising from the drop in price of their principal raw material.

As a result, downward price adjustment of corn kernels, the principal raw material of the Group, persisted during the year under review, which, in fact, reduced the cost of production.

FINANCIAL PERFORMANCE

In year 2002, in spite of the drop in selling price of most of the Group's products, the Group achieved continuous growth in its results. Sales and net profit from ordinary activities attributable to shareholders increased 20% and 23% respectively compared to the previous financial year. This sound performance was mainly derived from the success in expansion of downstream products during the year under review.

Sales Overview

With production capacity expansions and continuous growth in demand, the Group's sales amount increased 20% to HK$1.7 billion.

The PRC remained the principal market of the Group and accounted for 93% of the Group's total turnover while the remainder was sales to overseas countries, including Japan, Korea, Malaysia & countries in Europe.

With production capacity expansions and continuous growth in demand, the Group's sales amount increased 20% to HK$1.7 billion.

For the downstream segment, the sales amount increased from HK$614 million in 2001 to HK$839 million in 2002, representing a 37% increase and accounting for 51% of the Group's total sales (2001: 44%).

Such an increase was mainly contributed by the strong growth in sales of lysine, from approximately 13,400 metric tonnes in 2001 to 32,000 metric tonnes in 2002, representing an increase of 139%. It was achieved by the launch of the second lysine production line in April 2002, which increased the Group's annual production capacity of lysine from 15,000 metric tonnes to 40,000 metric tonnes. However, the sales amount of HK$451 million, an increase of 102%, did not grow by the same magnitude owing to the decline in the average selling price of lysine, caused by the dissipation of the price impact arising from the mad cow disease in 2001. Meanwhile, although the average selling price of corn sweeteners and modified starch adjusted downward due to increasing competition, additional output achieved by improved production efficiency was maintained at around the previous year's level.

For the upstream segment, the sales amount increased 6% to HK$818 million in 2002, and accounted for 49% of the Group's total sales (2001: 56%). Such an increase was principally attributable to the launch of the second upstream corn refinery with an annual processing capacity of 600,000 metric tonnes in Changchun in September 2002, and from which additional upstream products of 115,000 metric tonnes were produced and sold in the year under review. As a result, the volume of upstream products sold to customers in 2002 increased 15% compared to year 2001.

However, in 2002, the average selling price of upstream products fell by 8% due to the pressure of increasing competition, and the pressure of the drop in direct material cost, i.e. corn kernels, by 10%.

In 2002, the gross profit of the Group increased 17% to HK$651 million. Such advancement was mainly derived from the additional sales volume of lysine achieved in year 2002.

Gross Profit growth

In 2002, the gross profit of the Group increased 17% to HK$651 million. Such advancement was mainly derived from the additional sales volume of lysine achieved in year 2002.

Gross profit from lysine operation increased by HK$114 million, representing an increase of 85%, Gross profit margin of lysine dropped by 5% to 55% in 2002 largely because of the increased volume of sales from the new production facility, with an additional capacity of 25,000 metric tonnes per annum, which commenced operation in April 2002, thereby contributing substantial profit to the lysine division.

Gross profit contributed from sweeteners and modified starch dropped slightly by HK$12 million, due to increasing competition.

In spite of the increase in sales volume of upstream products, the gross profit of the upstream division dropped slightly by 4% to HK$200 million in 2002 mainly due to the price pressure mentioned above. In addition, the new refinery commencing operation in September 2002 had not reached its optimal production efficiency during the initial period.

Net Profit Growth

Due to the strong growth in gross profit, net profit from operating activities attributable to shareholders amounting to HK$405 million and representing a 23% increase was recorded during the year under review.

With the expansion of both downstream and upstream capacities during the year, the Group enhanced its operating efficiency. Both selling and distribution expenses and general administration expenses per each sales dollar decreased by 0.4% and 0.3% respectively in 2002 compared to the previous year.

Total net proceeds of HK$738 million raised from the equity market through the issue and placing of new shares in 2001 and funds generated internally from operations this year enabled the Group to reduce its average bank borrowings compared to the previous year. In addition, a substantial portion, HK$11 million, of total bank loans interest was capitalised as construction in progress. This resulted in a reduction of finance costs to HK$15 million. Interest coverage (ie. profit from operating activities over finance costs) increased from 13 times in 2001 to 35 times in 2002.

Most of the Group's companies operate either within an economic technological development zone or in open coastal areas in the PRC, and are enjoying income tax relief according to relevant income tax laws. The income tax relief of two of these companies was reduced from 100% in 2001 to 50% in 2002. As a result, these two companies enjoyed a 50% income tax relief (i.e. 7.5% on taxable income) in 2002 and the second corn refinery with an annual capacity of 600,000 metric tonnes was the only PRC subsidiary which enjoyed 100% income tax relief. The effective tax rate of the Group, as a whole, increased from 6% to 7% this year.

Combining the effect of capacity expansion and stringent control over operating expenses and finance costs, the net profit from ordinary activities attributable to shareholders increased 23% to HK$405 million.

Due to the strong growth in gross profit net profit, from operating activities attributable to shareholders, amounting to HK$405 million and representing a 23% increase, was recorded during the year.

Combining the effect of capacity expansion and stringent control over operating expenses and finance costs, the net profit from ordinary activities attributable to shareholders increased 23% to HK$405 million.

Sales from the HFCS refinery in 2002 was below its planned output since it takes time for the Group's customers to adopt and apply HFCS, a brand new product in the PRC, into their production process. As a result, operating loss of HK$3 million, of which 50% was shared by the Group, was recorded in year 2002.

FINANCIAL RESOURCES AND LIQUIDITY

Year 2002 is a year of expansion. In line with production capacity expansion of the lysine plant and the corn refinery, all non-current assets, inventories and trade receivables increased considerably, which were mainly financed by funds generated internally from operations and external resources (i.e. bank borrowings).

The increases in inventories and accounts receivable were mainly attributable to the increase in production capacity and sales.

As at 31 December 2002, the total assets of the Group increased by HK$705 million to HK$2.7 billion, which were financed by shareholders' equity of HK$1.9 billion (31 December 2001: HK$1.4 billion), bank borrowings of HK$476 million (31 December 2001: HK$247 million) and other liabilities/minority interests of HK$403 million (31 December 2001: HK$357 million).

Capital Expenditure

During the year under review, capital expenditure on non-current assets amounted to HK$518 million, which were mainly used for the expansion of lysine production capacity and the construction of the second corn refinery, amounting to HK$393 million. These projects commenced production and sales activities in April and September 2002 respectively.

Change in Working Capital and Support from External Borrowings

At 31 December 2002, the current assets of the Group amounted to HK$1.1 billion (31 December 2001: HK$879 million), comprising mainly inventories of HK$258 million (31 December 2001: HK$143 million), trade receivable of HK$383 million (31 December 2001: HK$258 million) and cash of HK$433 million (31 December 2001: HK$411 million). The increases in inventories and accounts receivable were mainly attributable to the increase in production capacity and sales.

As most corn kernels were acquired on cash basis, trade payables did not increase in the same magnitude as inventories or trade receivables. In order to support the acquisition of raw material, the Group has to maintain a relatively high cash level of HK$433 million as at 31 December 2002 (31 December 2001: HK$411 million).

In 2002, the aggregate amount of capital expenditure and additional working capital tied up in inventories and trade receivables was HK$758 million. In addition to funds generated internally, external borrowings also played an important role in supporting the development of the Group. As compared to 31 December 2001, the Group increased its bank borrowings by HK$229 million to HK$476 million as at 31 December 2002.

Turnover days, Liquidity Ratios and Gearing Ratio

In 2002, without annualising the sales and cost of sales of those expansion projects commencing operation in 2002, trade receivables, inventories and trade payables turnover periods increased from 68 days, 63 days and 20 days to 84 days, 94 days and 22 days respectively. Had the expansions operated throughout the entire year, the turnovers of trade receivables, inventories and trade payables of the Group would have adjusted to about 68 days, 74 days and 17 days respectively.

In spite of the increase in trade receivables and inventories, the current ratio and quick ratio for year 2002 dropped from 2.6 and 2.1 to 2.1 and 1.6 respectively. The drop resulted mainly from additional bank borrowings, classified as short term portion, of HK$156 million. Moreover, additional bank borrowings also lifted the gearing of the Group. Both gearing ratio (i.e. bank borrowings over total assets) and debt to equity ratio (i.e. bank borrowings over shareholders' equity) increased from 12% and 17% in 2001 to 17% and 26% in 2002 respectively.

Structure of interest bearing borrowings

At 31 December 2002, the Group had interest bearing borrowings of HK$476 million, of which 33% were denominated in Hong Kong dollars or US dollars while the remainder was RMB borrowings. All borrowings, with annual interest rates ranging from 3% to 6%, will be wholly repayable in 4 years except for a mortgage loan of HK$15 million repayable in 9 years. At 31 December 2002, 72% of borrowings were repayable in one year. Certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of HK$226 million as at 31 December 2002.

Foreign Exchange Exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the RMB in recent years. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the year 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 31 December 2002.

Share Options to other corporations

During the year under review, 43 million shares were subscribed by wholly owned subsidiaries of Cargill and Cheung Kong (Holdings) Limited, from which HK$54 million were received by the Group pursuant to the exercise of the share options granted thereto. As at 31 December 2002, options granted to a wholly owned subsidiary of Cargill for subscription of 108 million shares remained outstanding, which are exercisable for a period of 3 years up to April 2005. If these options are fully exercised, an aggregate amount of HK$210 million will be raised, which can enhance the Group's financial position and provides additional resources to the Group for its future development.

It is the Group's mission to become one of the leading vertically integrated corn based biochemical product manufacturers in Asian Pacific Region

FUTURE DEVELOPMENT

It is the Group's mission to become one of the leading vertically integrated corn based biochemical product manufacturer in the Asian Pacific Region. To this end, 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.

EXPANSION OF DOWNSTREAM PRODUCTS

Lysine

The demand of lysine in the PRC has witnessed continuing increase in recent years and over 50% of the demand are currently met by imports. In order to capture the rising demand of the market and to reduce the market share now owned by foreign suppliers, the Group intends to expand its lysine capacity further under appropriate market conditions. Moreover, a new type of lysine, protein lysine, is under development.

Glutamic Acid

The PRC is the largest producer and consumer of MSG around the world. However, the manufacturing process of glutamic acid, the principal raw material for MSG, may create extensive pollution in breach of new environmental regulations in the PRC. It is likely that most of the producers of MSG will source glutamic acid externally to reduce capital expenditure spent on upgrading outdated production facilities. In addition to introducing extensive waste water control and treatment facilities overcoming the pollution issue, advanced technological know-how of the Group enables it to manufacture glutamic acid at a cost lower than MSG producers. The Directors have, thus, decided to start the construction of a glutamic acid plant with an expected annual capacity of 100,000 metric tonnes upon the conclusion of construction or acquisition of a new corn refinery.

Modified Starch

Most of the modified starches now consumed in the PRC are imported from overseas. Moreover, the demand from the paper-making industry increases substantially in recent years, especially after China's accession into WTO. To capture this emerging market, the first phase of the expansion project on modified starch for the paper-making industry with an annual capacity of 100,000 metric tonnes will be completed in the second half of 2003 while the second phase, with another 100,000 metric tonnes of annual capacity, is scheduled to commence construction under appropriate market conditions.

The Group intends to expand annual corn processing capacity by an additional 600,000 metric tonnes to 1,800,000 metric tonnes

SUPPORT FROM UPSTREAM PRODUCTS

To cope with the future expansion and diversification of downstream products, the Directors consider that the existing starch generating capacity of 800,00 metric tonnes per annum is inadequate to support the demand from our planned downstream products development and expansion in the coming 3 years. It is expected that the planned capacity of downstream products by the end of 2004 will consume corn starch of approximately one million metric tonnes. As a result, the Group intends to expand annual corn processing capacity by an additional 600,000 metric tonnes to 1,800,000 metric tonnes either through construction or acquisition of a refinery.

RESEARCH & DEVELOPMENT

In year 2002, in view of the drop in market price of most of the Group's products, which is partially due to emerging competition in the industry, management realised that the continuous growth of the Group depended on its capability not only in developing other high value-added downstream products, but also in improving existing production efficiency.

As a long-range corporate strategy of the Group is to become a leading producer of downstream products, the Group spent approximately HK$23 million (2001: HK$20 million) in the research and development of value-enhanced downstream products, such as certain types of amino acids and modified starches, during the year.

The Group had over 40 experienced scientists working in the research and development department. There is continued research and development on starch and fermentation applications and techniques on new product development, quality control, improvement of production technologies and operational efficiency, application and improvement of micro-organism, etc. In addition, the Group also collaborates with various scientific and academic institutions to enhance the variety and capability of downstream products. Products currently under development include various types of amino acids (including lysine, methionine, glutamic acid), modified starches, biodegradable plastics, and ethanol. It is believed that these products will be launched to market and will provide the Group with substantial return in the coming years.

STRATEGIC BUSINESS ALLIANCES WITH PROMINENT INTERNATIONAL MARKET LEADERS

Joint Venture Project for HFCS

In July 2002, the 100,000-metric-tonne HFCS refinery in Shanghai commenced operation and became the only HFCS manufacturer in the PRC with commercial production capacity that met the stringent requirements of international and local beverage and food groups. The plant has already gained extensive acceptance and support from the local food and beverage producers in Shanghai and surrounding regions.

In February 2003, the joint venture vehicle for the HFCS projects entered into contracts with international bottling plants to supply the sweetener to densely populated cities in China. The amount of HFCS contracted to be supplied by the joint venture already required the utilisation of about half of the production capacity of the HFCS refinery since then.

In view of the massive market of sorbitol in the PRC, the Group has signed a memorandum of understanding ("MOU") with Mitsui Group

Joint Venture Project for Sorbitol

A downstream product, sorbitol, a type of organic chemical generally made from sugar, is an important polyol with a wide range of applications in food, pharmaceutical, cosmetic, and chemical industries. Sorbitol is generally used in large quantities in the manufacture of toothpaste and vitamin C, and as sweetener in snacks and beverages.

In view of the massive market of sorbitol in the PRC, the Group has signed a memorandum of understanding ("MOU") with Mitsui Group for the establishment of a joint venture company ("JVC") in Hong Kong, as an investment vehicle for investing and holding interests in projects for the manufacture and sale of sorbitol products in the PRC. According to the MOU, the Group will hold 51% equity interest of the proposed JVC and the total investment for the project is expected to be an amount not exceeding US$15 million, which will be injected by each joint venture partner according to their equity holding percentage. It is expected that the first sorbitol plant in Changchun, with an annual production capacity of 60,000 metric tonnes, will commence commercial production in the first half of 2004. To ensure a stable supply of quality raw material, the Group will be responsible for the supply of raw materials to the JVC.

The MOU symbolises the Group's latest effort in expanding its product portfolio of high value-added corn based biochemical products.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2002, the Group has approximately 1,300 full time employees. The Group recognises the importance of human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance and performance related commission.

During the year under review, no share options were granted to any staff. As at 31 December 2002, a total of 116 million share options are outstanding with exercisable periods up to 20 August 2011 with exercise prices ranging from HK$0.816 to HK$1.316 per share.

EXECUTIVE DIRECTORS

LIU Xiaoming, aged 47, is the Chairman of the Group. He is responsible for the Group's overall business development as well as the formulation of corporate policies and strategies. He holds a bachelor's degree in chemical engineering from the Hua Nan Polytechnic University.

XU Zhouwen, aged 60, is responsible for enhancing the Group's production expertise and technological knowhow, supporting the Group in the development of biochemical technologies, and advising the Group on product and market strategies. He graduated from the Harbin Electric University in 1970 and has over 30 years' experience in manufacturing and engineering. Mr. Xu is a member of the Corn Refiners Association in the US.

KONG Zhanpeng, aged 39, is one of the founders of the Group. He is in charge of the Group's corporate management, finance and accounting, as well as information technology. He holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

WANG Tieguang, aged 38, is responsible for the Group's sales and marketing functions. He holds a bachelor's degree in economics from the University of Heilongjiang.

NON-EXECUTIVE DIRECTORS

Patrick E BOWE, aged 44, is the President of Cargill Sweeteners North America and is responsible for all aspects of Cargill's sweeteners business. He holds a master's degree in economics from Standford University, the United States and has over 20 years of experience in corn milling and sweetener operations.

Steven C WELLINGTON (alternate director of Patrick E BOWE), aged 49, is the PRC Business Development Manager of Cargill Sweeteners North America and is responsible for the development of corn milling exports and investment opportunities in the PRC. He is the director of Global Bio-chem-Cargill (Holdings) Limited, a jointly owned company established by the Group and Cargill.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong, aged 42, is a Certified Public Accountant and has been practising since 1990. Graduated from the University of Sunderland, the United Kingdom, he holds a Bachelor of Arts in Business Studies. He has over 16 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently an appointed member of the Kwai Tsing District Council and also a member of the Advisory Committee on Travel Agents.

CHAN Man Hon, Eric, aged 46, is a solicitor and has been practising in Hong Kong for over 21 years. Mr. Chan holds a bachelor's degree in law from the University of Hong Kong and a master's degree in Business Administration from the Chinese University of Hong Kong. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1981 and is a consultant of Messrs. Vincent T. K. Cheung, Yap & Co.

SENIOR MANAGEMENT

AU Chun Fat, aged 60, is one of the founders of the Group and is currently the senior counsellor of the Group, assisting the board in strategic planning as well as business development and diversification. Prior to founding the Group, Mr. Au accumulated over 12 years' management experience in various companies which engaged in the trading of machinery and equipment in Hong Kong and the PRC.

NG Wai Kee, aged 42, is the company secretary of the Company. He holds a diploma in accounting from the Hong Kong Shue Yan College. He is a fellow member of the Hong Kong Society of Accountants and also of The Association of Chartered Certified Accountants. He has over 16 years' experience in auditing, accounting, and secretarial practice.

CHEUNG Chak Fung, aged 38, is the financial controller of the Group. He is an associate member of The Association of Chartered Certified Accountants. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. He has over 13 years' experience in auditing, financial and management accounting, budgeting and treasury.

LI Weigang, aged 44, has a master's degree in banking and finance from the University of Wales, the United Kingdom, as well as a master's degree in economics from The Graduate School of Chinese Academy of Social Sciences. Prior to joining the Group as assistant general manager in May 2001, Mr. Li had held senior positions in various financial institutions in the PRC, with responsibility in corporate finance and general management.

Dennis BYRNE, aged 45, holds a bachelor's degree in chemical engineering from the University of Wisconsin, the US. Mr. Byrne is the Assistant Vice President of Plant Operations of Cargrill Sweeteners North America and has been the Project Manager of various products for Cargill and its subsidiaries in the US, Brazil and Turkey, specializing in sweetener operations in recent years. In January 2002, He has been seconded as the general manager of GBT-Cargill High Fructose (Shanghai) Company Limited, a jointly owned company established by the Group and Cargill.

PON Intranual, aged 62, has over 40 years of professional experience. He joined the Group in 1998 and now acts as chief engineer specialising in lysine culture, fermentation and refining techniques.

QI Hongbin, aged 36, is the manager of the research and development department. He holds a master's degree from the Jilin Agricultural University, specialising in mechanical engineering. He has over 6 years' experience in process engineering and technology development.

WANG Hui, aged 38, is the manager of the corn products section of the production department. He graduated from the Qiqihaer University with a bachelor's degree in chemical engineering specialising in high polymer material engineering.

HAN Zhengjun, aged 39, is the manager of the corporate planning office. He has over 15 years of economic strategic planning and management experience. He holds a bachelor's degree in economics from the Jilin Government University.

JIN Zhihui, aged 49, graduated from the Jilin Shulan Ministry of Mining Employee University. Prior to joining the Group as project manager for sweetener operations in January 2002, he had accumulated over 25 years of working experience, including 20 years in senior positions in biochemical and pharmaceutical industries.

ZHENG Guichen, aged 41, is the assistant manager of the corn products section of the production department. He graduated from the Jilin Grain High College for Professional Training, specialising in food engineering.

WANG Guicheng, aged 35, is the assistant manager of the biochemical products section of the production department. He graduated from the Jilin Grain High College for Professional Training, specialising in storage and analysis.

CHU Lalin, aged 40, is the assistant chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 19 years of experience in mechanical and food engineering.

WANG Dehui, aged 34, is the assistant chief engineer of the Group. He holds a master's degree in science from the Jilin Agricultural University and has extensive of experience in food engineering and organic engineering.

WANG Dongsheng, aged 40, holds a bachelor's degree in chemical engineering from the Jilin Chemical Engineering Academy. Prior to joining the Group as chief supervisor and modified starch design manager in May 2001, he had accumulated 18 years of working experience in production management of chemical engineering projects.

YANG Dong, aged 33, is the assistant manager of the corporate planning office. He graduated from the Jilin Financial Trading College.

ZHANG Xiuzhen, aged 58, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC.

LEE Chi Yung, aged 28, is the finance manager of the Group. He holds a bachelor's degree in business administration from the City University of Hong Kong. He is an associate member of the Hong Kong Society of Accountants and also of The Association of Chartered Certified Accountants.

The directors of Global Bio-chem Technology Group Company Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based biochemical products. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 76.

An interim dividend of HK1.5 cents per ordinary share was paid on 23 October 2002. The directors of the Company recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 21 May 2003. The recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserve section of the balance sheet.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new ordinary shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2001, after deduction of related issuance expenses, amounted to approximately HK$278 million. These proceeds were fully applied during the years ended 31 December 2001 and 2002 in accordance with the proposed applications set out in the Company's listing prospectus, as follows:

— HK$140 million was used for the purchase and installation of production equipment and facilities at a new production plant in the People's Republic of China (the "PRC");

— HK$60 million was used for early repayment of bank borrowings;

— HK$50 million was used for the research and development of new products and the improvement of the Group's existing production technology, production processes and product quality;

— HK$6 million was used for the expansion of the distribution and sales network of the Group; and

— HK$22 million was applied as general working capital of the Group.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets, liabilities and minority interests of the Group for the years ended 31 December 1998, 1999, 2000, 2001 and 2002, prepared on the bases set out in the accompanying notes:

Results

	Year ended 31 December				
	2002	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**1,657,312**	1,385,808	1,208,026	1,046,910	534,413
PROFIT FROM OPERATING ACTIVITIES	**512,064**	439,625	316,683	165,701	63,771
Finance costs	**(14,556)**	(34,495)	(35,947)	(23,812)	(12,246)
Share of profit of an associate	**—**	—	—	5,526	1,517
Share of losses of a jointly-controlled entity	**(1,691)**	(506)	—	—	—
PROFIT BEFORE TAX	**495,817**	404,624	280,736	147,415	53,042
Tax	**(35,615)**	(23,234)	(14,227)	(174)	(2,338)
PROFIT BEFORE MINORITY INTERESTS	**460,202**	381,390	266,509	147,241	50,704
Minority interests	**(55,107)**	(51,312)	(36,341)	(34,483)	(8,520)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**405,095**	330,078	230,168	112,758	42,184

SUMMARY FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	At 31 December				
	2002	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**1,604,800**	1,150,053	694,295	575,366	261,616
CURRENT ASSETS	**1,128,298**	878,522	499,306	331,896	323,303
TOTAL ASSETS	**2,733,098**	2,028,575	1,193,601	907,262	584,919
CURRENT LIABILITIES	**547,422**	343,361	357,453	297,657	298,526
NON-CURRENT LIABILITIES	**130,889**	58,826	296,729	348,229	124,000
TOTAL LIABILITIES	**678,311**	402,187	654,182	645,886	422,526
MINORITY INTERESTS	**200,703**	202,340	172,382	130,658	114,434
NET ASSETS	**1,854,084**	1,424,048	367,037	130,718	47,959

Notes:

1. The summaries of the combined results of the Group for the years ended 31 December 1998 and 1999 have been extracted from the Company's prospectus dated 7 March 2001, and the results of the Group for the years ended 31 December 2000 and 2001 have been extracted from the Company's respective published audited financial statements. Such summaries were prepared from the audited financial statements of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout these financial years and were presented on the basis set out in note 3 to the financial statements. The results of the Group for the year ended 31 December 2002 are those set out on page 29 of the financial statements.

2. The Group's combined balance sheet as at 31 December 1998 and 1999 have been extracted from the Company's prospectus dated 7 March 2001, the consolidated balance sheets of the Group as at 31 December 2000 and 2001 have been extracted from the respective published audited financial statements which were prepared on the basis as if the Group had been in existence as at 31 December 1998, 1999 and 2000. The Group's consolidated balance sheet as at 31 December 2002 is that set out on page 30 of the financial statements.

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 23 and 24 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company had distributable reserves of approximately HK$990,908,000 of which HK$38,634,000 has been proposed as a final dividend for the year. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK$924,574,000 as at 31 December 2002 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 25% of the total turnover and purchases for the year, respectively.

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

DIRECTORS

The Directors during the year were as follows:

Executive directors

Liu Xiaoming
Xu Zhouwen
Kong Zhanpeng
Wang Tieguang
Au Chun Fat (resigned on 30 April 2002)

Non-executive directors

Patrick E Bowe (appointed on 5 February 2002)
Steven C Wellington (appointed as alternate non-executive director to Patrick E Bowe on 5 February 2002)

Independent non-executive directors

Lee Yuen Kwong
Chan Man Hon, Eric

In accordance with the Company's articles of association, Lee Yuen Kwong and Chan Man Hon, Eric will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive Directors is currently appointed for a term of two years commencing from 1 March 2001, which will continue thereafter for another two years of contract.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 15 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Liu Xiaoming, Kong Zhanpeng, Wang Tieguang and Au Chun Fat (who resigned as Director on 30 April 2002) have entered into service contracts with the Company for an initial term of three years commencing from 1 March 2001, which, except for the service contract with Au Chun Fat which was terminated upon his resignation, will continue thereafter until terminated by either party giving not less than three months' notice in writing.

DIRECTORS' SERVICE CONTRACTS (continued)

Xu Zhouwen has entered into a service contract with the Company for an initial term commencing from 21 August 2001 to 29 February 2004, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the annual report, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the Directors in the 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 as follows:

Ordinary shares of the Company

Name of Director	Notes	Nature of interest	Number of ordinary shares held
Liu Xiaoming	1	Corporate	345,600,000
		Individual	8,890,400
Kong Zhanpeng	2	Corporate	172,800,000
		Individual	8,294,400
Wang Tieguang	3	Corporate	172,800,000
		Individual	4,147,200

DIRECTORS' INTERESTS IN SHARES (continued)

Ordinary shares of the Company (continued)

The interests of the Directors in the share options of the Company are separately disclosed in note 24 to the financial statements.

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 Liu Xiaoming.

2. These shares are owned by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Kong Zhanpeng.

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

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "Share option scheme" disclosures in note 24 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any of the subsidiaries granted to any director or their respective spouse or children under 18 years of age, 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.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 24 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, 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	Notes	Number of ordinary shares held	Percentage of the Company's share capital
LXM Limited	1	345,600,000#	17.89%
In-depth Profits Limited	2	288,000,000	14.91%

The shareholding is duplicated in the 'Directors' interests in shares" disclosed above.

Note:

1. The entire issued share capital of LXM Limited is beneficially owned by Liu Xiaoming, an executive Director.

2. The entire issued share capital of In-depth Profits Limited is beneficially owned by Au Chun Fat, an employee and ex-Director.

Save as disclosed above, no person, other than the Director and employee of the Group whose interests are set out above, had registered an interest of 10% or more in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

There were no transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive Directors.

AUDITORS

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

ON BEHALF OF THE BOARD

Liu Xiaoming
Chairman

Hong Kong
22 April 2003

ERNST & YOUNG
安永會計師事務所

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

We have audited the financial statements on pages 29 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
22 April 2003

Consolidated Profit and Loss Account

Year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
TURNOVER	4	1,657,312	1,385,808
Cost of sales		(1,006,517)	(829,461)
Gross profit		650,795	556,347
Other revenue		8,343	12,985
Selling and distribution expenses		(47,116)	(44,491)
Administrative expenses		(73,713)	(64,852)
Other operating expenses		(26,245)	(20,364)
PROFIT FROM OPERATING ACTIVITIES	6	512,064	439,625
Finance costs	8	(14,556)	(34,495)
Share of losses of jointly-controlled entities		(1,691)	(506)
PROFIT BEFORE TAX		495,817	404,624
Tax	9	(35,615)	(23,234)
PROFIT BEFORE MINORITY INTERESTS		460,202	381,390
Minority interests		(55,107)	(51,312)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10	405,095	330,078
DIVIDENDS	11		
Interim		28,892	19,200
Proposed final		38,634	30,897
		67,526	50,097
EARNINGS PER SHARE	12		
— Basic (2001: restated)		HK21.3 cents	HK21.4 cents
— Diluted (2001: restated)		HK20.3 cents	HK20.9 cents

Consolidated Balance Sheet

31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Fixed assets	13	1,530,454	1,107,147
Deposits paid for acquisition of fixed assets		31,761	—
Interests in jointly-controlled entities	14	42,585	42,906
		1,604,800	1,150,053
CURRENT ASSETS			
Inventories	16	258,403	143,337
Trade receivables	17	383,286	258,443
Prepayments, deposits and other receivables		53,642	65,347
Pledged time deposits	18	—	61,554
Cash and cash equivalents	18	432,967	349,841
		1,128,298	878,522
CURRENT LIABILITIES			
Interest-bearing bank loans	20,21	344,784	188,305
Trade payables	19	60,149	45,940
Other payables and accruals		113,148	85,558
Due to minority shareholders	22	9,770	—
Tax payable		19,571	23,558
		547,422	343,361
NET CURRENT ASSETS		580,876	535,161
TOTAL ASSETS LESS CURRENT LIABILITIES		2,185,676	1,685,214
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	20,21	(130,889)	(58,826)
MINORITY INTERESTS	22	(200,703)	(202,340)
		1,854,084	1,424,048
CAPITAL AND RESERVES			
Issued capital	23	193,171	154,330
Reserves	25	1,622,279	1,238,821
Proposed final dividend	11	38,634	30,897
		1,854,084	1,424,048

Liu Xiaoming
Director

Xu Zhouwen
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Total equity at 1 January		1,424,048	367,037
Surplus on revaluation of leasehold land and buildings, not recognised in the consolidated profit and loss account	25	—	1,053
Net profit from ordinary activities attributable to shareholders	25	405,095	330,078
Interim dividend paid	11	(28,892)	(19,200)
Final dividend paid	11	(30,897)	—
Issue of shares, including share premium	23	84,730	809,710
Share issue expenses	23	—	(64,630)
Total equity at 31 December		1,854,084	1,424,048

Consolidated Cash Flow Statement

Year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		495,817	404,624
Adjustments for:			
Finance costs	8	14,556	34,495
Share of losses of jointly-controlled entities		1,691	506
Depreciation	6	63,487	43,426
Provision for bad and doubtful debts	6	3,210	—
Interest income	6	(4,049)	(7,366)
Operating profit before working capital changes		574,712	475,685
Increase in inventories		(115,066)	(52,922)
Increase in trade receivables		(128,053)	(30,190)
Decrease in prepayments, deposits and other receivables		11,705	19,560
Increase/(decrease) in trade payables		14,209	(28,518)
Increase in other payables and accruals		27,590	60,103
Cash generated from operations		385,097	443,718
Interest received		4,049	7,366
Income taxes paid		(39,602)	(13,903)
Net cash inflow from operating activities		349,544	437,181
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in deposits paid for acquisition of fixed assets		(31,761)	—
Purchases of fixed assets		(478,547)	(453,816)
Refund on costs of fixed assets	13	2,984	—
Capital contribution to jointly-controlled entities		—	(2,341)
Advances to jointly-controlled entities		(1,370)	(41,071)
Net cash outflow from investing activities		(508,694)	(497,228)

Year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new bank loans		554,635	902,705
Repayment of bank loans		(326,093)	(1,195,616)
Repayment to minority shareholders		(36,235)	(29,906)
Capital contribution from minority shareholders of subsidiaries		—	15,923
Proceeds from issue of share capital	23	—	326,400
Proceeds from placement of new shares	23	—	476,160
Proceeds from exercise of share options	23	84,730	7,150
Share issue expenses	23	—	(64,630)
Interest paid	8	(25,787)	(35,798)
Dividend paid		(59,789)	(19,200)
Dividends paid to minority shareholders		(10,739)	(7,477)
Net cash inflow from financing activities		180,722	375,711
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,572	315,664
Cash and cash equivalents at beginning of year		411,395	95,731
CASH AND CASH EQUIVALENTS AT END OF YEAR		432,967	411,395
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	242,090	183,244
Non-pledged time deposits with original maturity of less than three months when acquired	18	190,877	166,597
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	18	—	61,554
		432,967	411,395

Balance Sheet

31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	287,937	287,937
CURRENT ASSETS			
Prepayments, deposits and other receivables		30	—
Due from subsidiaries	15	830,536	764,134
Cash and cash equivalents	18	71,638	170,020
		902,204	934,154
CURRENT LIABILITIES			
Other payables and accruals		6,062	11,210
Due to subsidiaries	15	—	136,627
		6,062	147,837
NET CURRENT ASSETS		896,142	786,317
		1,184,079	1,074,254
CAPITAL AND RESERVES			
Issued capital	23	193,171	154,330
Reserves	25	952,274	889,027
Proposed final dividend	11	38,634	30,897
		1,184,079	1,074,254

Liu Xiaoming
Director

Xu Zhouwen
Director

1. GROUP REORGANISATION AND CORPORATE INFORMATION

The Company was incorporated as an exempted 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 (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2001, the Company became the holding company of the companies now comprising the Group on 1 March 2001. This was accomplished by the Company acquiring the entire issued share capital of Global Corn Bio-chem Technology Company Limited ("Global Corn"), the then holding company of the other subsidiaries, as set out in note 15 to the financial statements. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in the Company's prospectus dated 7 March 2001.

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based biochemical products. There were no changes in the nature of the Group's principal activities during the year.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 34 : Employee benefits

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 31 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and jointly-controlled entities are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in notes 3 and 26 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option scheme, as detailed in note 24 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets as further explained below.

Basis of presentation and consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

The consolidated financial statements for the year ended 31 December 2001 were prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 1 March 2001. The Group Reorganisation involved companies under common control. Under this basis, the Company has been treated as the holding company of its subsidiaries pursuant to the Group Reorganisation for the financial years presented, rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results of the Group for the year ended 31 December 2001 include the results of the Company and its subsidiaries with effect from 1 January 2001, or since their respective dates of incorporation/establishment, where this is a shorter period.

In the opinion of the directors of the Company, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits

Employment Ordinance long service payments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in the retirement benefits scheme (the "PRC RB Scheme") operated by the local municipal government in Jilin Province, the People's Republic of China ("PRC"). These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Scheme to fund the benefits. The only obligation of the Group with respect to the PRC RB Scheme is to pay the ongoing required contributions under the PRC RB Scheme. Contributions under the PRC RB Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the PRC RB Scheme.

Share option scheme

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

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

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

Dividends

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

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

Impairment of assets

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

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impairment of assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

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

Changes in the values of fixed assets are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

Construction in progress represents leasehold buildings, plant and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Borrowing costs

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

Subsidiaries

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

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

Joint venture companies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

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

A joint venture company is treated as:

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

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

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

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

Jointly-controlled entities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

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

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

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly-controlled entities and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 26 to the financial statements, but no material effect on the amounts of the cash flows previously reported for prior years.

Related parties

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

Cash and cash equivalents

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

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. TURNOVER

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

5. SEGMENT INFORMATION

The Group's primary segment reporting basis is by business segment.

5. SEGMENT INFORMATION (continued)

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

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

In determining the Group's geographical segments, revenue and assets are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables represent revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2002 and 2001.

Group

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment revenue:								
Sales to external customers	818,135	771,784	839,177	614,024	—	—	1,657,312	1,385,808
Intersegment sales	275,537	238,472	3,374	3,200	(278,911)	(241,672)	—	—
Total revenue	1,093,672	1,010,256	842,551	617,224	(278,911)	(241,672)	1,657,312	1,385,808
Segment results	187,079	184,647	333,487	252,378	—	—	520,566	437,025
Unallocated revenue							8,343	12,985
Unallocated expenses							(16,845)	(10,385)
Profit from operating activities							512,064	439,625
Finance costs							(14,556)	(34,495)
Share of losses of jointly- controlled entities							(1,691)	(506)
Profit before tax							495,817	404,624
Tax							(35,615)	(23,234)
Profit before minority interests							460,202	381,390
Minority interests							(55,107)	(51,312)
Net profit from ordinary activities attributable to shareholders							405,095	330,078

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment assets	1,661,406	1,223,531	954,756	592,118	—	—	2,616,162	1,815,649
Interests in jointly- controlled entities							42,585	42,906
Unallocated assets							74,351	170,020
Total assets	1,661,406	1,223,531	954,756	592,118	—	—	2,733,098	2,028,575
Segment liabilities	127,365	73,567	38,385	46,635	—	—	165,750	120,202
Unallocated liabilities							512,561	484,325
Total liabilities	127,365	73,567	38,385	46,635	—	—	678,311	604,527
Other segment information:								
Capital expenditure	203,050	288,180	286,728	166,939	—	—	489,778	455,119
Depreciation	38,925	28,587	24,562	14,839	—	—	63,487	43,426

(b) Geographical segments

Over 90% of the Group's revenue, results, assets and liabilities are derived from customers based in the PRC.

6. PROFIT FROM OPERATING ACTIVITIES

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

	2002 HK$'000	2001 HK$'000
Cost of inventories sold	1,083,119	829,461
Depreciation (note 13)	63,487	43,426
Minimum lease payments under operating leases:		
Leasehold land and buildings	—	1,417
Plant and machinery	—	280
Staff costs (excluding directors' remuneration — note 7):		
Wages and salaries	29,738	22,958
Retirement benefits scheme contributions	112	177
Auditors' remuneration	1,650	1,750
Research and development costs	22,792	20,364
Provision for bad and doubtful debts	3,210	—
Interest income	(4,049)	(7,366)

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors of the Company for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Fees	600	500
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	11,497	9,552
Performance related bonuses	8,000	6,602
Retirement benefits scheme contributions	40	46
	19,537	16,200
	20,137	16,700

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

Fees include HK$600,000 (2001: HK$500,000) payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors of the Company during the year (2001: Nil).

According to the directors' service contracts, each of the executive directors, on completion of every 12 months of service, is entitled to a management bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2002, the aggregate amount of the bonuses payable to the executive directors is equivalent to 2% (2001: 2%) of the net profit from ordinary activities attributable to shareholders.

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

	2002 Number of directors	2001 Number of directors
Nil – HK$1,000,000	5	2
HK$1,000,001 – HK$1,500,000	—	1
HK$2,000,001 – HK$2,500,000	—	1
HK$3,500,001 – HK$4,000,000	—	2
HK$4,500,001 – HK$5,000,000	1	—
HK$5,000,001 – HK$5,500,000	3	1
	9	7

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

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

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

Due to the adoption of new SSAP 34 as set out in note 2 to the financial statements, details of the share options exercised by the directors and employees are now disclosed in note 24 to the financial statements.

The five highest paid employees during the year include four (2001: five) directors, details of whose remuneration are disclosed above. Details of the remuneration of the remaining one (2001: nil) non-directors, highest paid employee, are as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Basic salary, housing benefits, other allowances and benefits in kind	1,200	—
Retirement benefits scheme contributions	12	—
	1,212	—

8. FINANCE COSTS

	Group	
	2002 HK$'000	2001 HK$'000
Interest on bank loans:		
Wholly repayable within five years	25,293	35,523
Repayable beyond five years	491	239
Interest on trust receipt loans, secured	3	36
	25,787	35,798
Less: Interest capitalised	(11,231)	(1,303)
	14,556	34,495

Interest capitalised during the year was calculated at a rate of approximately 5% (2001: 6%) per annum.

9. TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Current year provision:		
Hong Kong	—	—
Elsewhere	35,615	23,234
Tax charge for the year	35,615	23,234

No provision for Hong Kong profits tax had been made as the Group had available tax loss brought forward to offset against the assessable profits arising in Hong Kong in respect of the year. In the prior year, no provision for Hong Kong profits tax was made as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

All of the Company'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.

Taxes on the assessable profits of four of the Group's PRC subsidiaries had been calculated at 50% of the applicable rates of tax prevailing in the PRC during the year, as their periods of exemption from income tax have expired. No provision for income tax has been made for two of the Group's PRC subsidiaries as they remain exempt from income tax for the first or second profitable year of their operations. One of the Group's PRC subsidiaries has not made any provision for income tax as it did not generate any assessable profits for the year.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the year (2001: Nil).

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2002 was approximately HK$84,884,000 (2001: HK$60,439,000).

11. DIVIDENDS

	2002 HK$'000	2001 HK$'000
Interim – HK1.5 cents (2001: HK1.25 cents as adjusted for the bonus issue of shares on 23 April 2002) per ordinary share	28,892	19,200
Proposed final – HK2.0 cents (2001: HK1.67 cents as adjusted for the bonus issue of shares on 23 April 2002) per ordinary share	38,634	30,897
	67,526	50,097

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The prior year's interim and proposed final dividend per share amounts have been adjusted for the one for five bonus share issue of the Company on 23 April 2002 (note 23(b)).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$405,095,000 (2001: HK$330,078,000) and the weighted average number of 1,904,442,862 (2001: 1,539,197,747 ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$405,095,000 (2001: HK$330,078,000) and on 1,994,570,304 (2001: 1,576,085,351) ordinary shares, being the weighted average number of 1,904,442,862 (2001: 1,539,197,747) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 90,127,442 (2001: 36,887,604) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The prior year comparative number of shares in the basic and diluted earnings per share disclosures above, have been adjusted for the one for five bonus share issue of the Company on 23 April 2002 (note 23(b)).

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2002	308,500	149,870	734,586	21,938	1,214,894
Additions	44	311,382	174,727	3,625	489,778
Transfers	115,656	(214,061)	98,237	168	—
Adjustments to costs*	(3,105)	—	—	—	(3,105)
At 31 December 2002	421,095	247,191	1,007,550	25,731	1,701,567
Analysis of cost or valuation:					
At cost	115,700	247,191	1,007,550	25,731	1,396,172
At 2001 valuation	305,395	—	—	—	305,395
	421,095	247,191	1,007,550	25,731	1,701,567
Accumulated depreciation:					
At 1 January 2002	—	—	95,568	12,179	107,747
Provided during the year	6,649	—	52,128	4,710	63,487
Adjustments*	(121)	—	—	—	(121)
At 31 December 2002	6,528	—	147,696	16,889	171,113
Net book value:					
At 31 December 2002	414,567	247,191	859,854	8,842	1,530,454
At 31 December 2001	308,500	149,870	639,018	9,759	1,107,147

* During the year, approximately HK$2,984,000 of the land costs was refunded by the government body. Such adjustment was made to the costs and accumulated depreciation of the respective fixed assets.

13. FIXED ASSETS (continued)

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

	Group	
	2002	2001
	HK$'000	HK$'000
At cost or valuation:		
Medium term leases in Hong Kong	24,500	24,500
Medium term leases outside Hong Kong	396,595	284,000
	421,095	308,500

In the opinion of the directors, there were no material differences between the carrying value and the open market value of the group's leasehold land and buildings as at 31 December 2002 and, accordingly, no revaluation has been performed as at that date.

The Group's leasehold land and buildings in Hong Kong were revalued on an open market basis by Castores Magi Surveyors Limited, an independent firm of professionally qualified valuers, at approximately HK$24,500,000 at 31 December 2001. During the year ended 31 December 2001, a surplus on revaluation of approximately HK$133,000 arising from the above valuation was credited to the fixed asset revaluation reserve.

The Group's leasehold land and buildings in the PRC were revalued on a depreciated replacement cost basis, by Castores Magi Surveyors Limited, at approximately HK$284,000,000 at 31 December 2001. During the year ended 31 December 2001, a surplus on revaluation of approximately HK$1,026,000 arising from the above valuation was credited to the fixed asset revaluation reserve.

Had the Group's leasehold land and buildings held in Hong Kong been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$23,869,000 (2001: HK$24,367,000).

Had the Group's leasehold land and buildings held outside Hong Kong been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$377,189,000 (2001: HK$275,242,000).

13. FIXED ASSETS (continued)

Prior to its transfer to other categories of fixed assets, the carrying amount of construction in progress included capitalised interest of approximately HK$11,231,000 (2001: HK$1,748,000).

At 31 December 2002, certain leasehold land and buildings of the Group with a carrying value of approximately HK$72,789,000 (2001: HK$74,505,000) and certain plant and machinery of the Group with an aggregate net book value of approximately HK$153,230,000 (2001: HK$168,270,000) were pledged to secure banking facilities granted to the Group (note 21).

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	144	1,835
Amounts due from jointly-controlled entities	42,441	41,071
	42,585	42,906

The amounts due from the jointly-controlled entities are unsecured, interest-free and are not repayable before 31 December 2003.

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of Ownership interest	Percentage of Voting power	Principal activities
Directly held						
Global Bio-chem-Cargill (Holdings) Limited	Corporate	Hong Kong	HK$1,000	50%	50%	Investment holding
Indirectly held						
GBT-Cargill High Fructose (Shanghai) Co., Ltd.	Corporate	PRC	US$3,000,000	50%	50%	Manufacture and sale of high fructose corn syrup

15. INVESTMENTS IN SUBSIDIARIES

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	287,937	287,937

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Global Corn	British Virgin Islands ("BVI")	Ordinary US$600	100%	Investment holding
Indirectly held				
Global Bio-chem Technology Limited	BVI	Ordinary US$200	100%	Investment holding
Global Corn Investments Limited	BVI	Ordinary US$200	100%	Investment holding
Global Sweeteners Investments Limited	BVI	Ordinary US$1	100%	Investment holding
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100%	Trading of corn refined products and corn based biochemical products
Datex Investment Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.*#	PRC	RMB154,645,600	90%	Manufacture and sale of corn based biochemical products
Changchun Decheng Bio-chemical Feed Development Co., Ltd.**#	PRC	US$846,400	100%	Manufacture and sale of corn based biochemical products

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Changchun Dacheng Corn Development Co., Ltd.*#	PRC	RMB99,540,000	80%	Manufacture and sale of corn refined products
Changchun Dacheng Special Corn & Modified Starch Development Co., Ltd.*#	PRC	RMB99,250,000	90%	Manufacture and sale of corn based biochemical products
Changchun Dacheng Starch Development Co., Ltd.*#	PRC	RMB54,400,000	90%	Manufacture and sale of corn refined products
Changchun Jincheng Corn Development Co., Ltd.*#	PRC	RMB98,700,000	90%	Manufacture and sale of corn refined products
Changchun Jiutai Corn Development Co., Ltd.***#	PRC	US$560,000	100%	Liquidated
Shanghai Hao Cheng Food Development Co., Ltd.**#	PRC	US$2,668,000	100%	Manufacture and sale of corn sweeteners

* Registered as cooperative joint ventures under the PRC laws.

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

*** Dissolved during the year.

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

16. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	213,675	109,997
Finished goods	44,728	33,340
	258,403	143,337

17. TRADE RECEIVABLES

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

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

	Group	
	2002	2001
	HK$'000	HK$'000
1 – 30 days	155,596	150,055
31 – 60 days	56,756	94,925
61 – 90 days	31,248	13,463
Over 90 days	139,686	—
	383,286	258,443

18. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	242,090	183,244	1,332	3,423
Time deposits	190,877	228,151	70,306	166,597
	432,967	411,395	71,638	170,020
Less: Pledged time deposits for banking facilities	—	(61,554)	—	—
Cash and cash equivalents	432,967	349,841	71,638	170,020

At the balance sheet date, certain cash and bank balances of the Group are denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, other than the purchase of corn kernels from farmers, which are normally settled on cash basis.

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

	Group	
	2002	2001
	HK$'000	HK$'000
1 – 30 days	24,308	36,112
31 – 60 days	5,464	9,675
61 – 90 days	5,002	153
Over 90 days	25,375	—
	60,149	45,940

20. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Trust receipt loans, secured	3,053	16,802
Bank loans, secured and repayable:		
Within one year	341,731	171,503
In the second year	69,475	21,121
In the third to fifth years, inclusive	54,803	29,144
Beyond five years	6,611	8,561
	472,620	230,329
	475,673	247,131
Portion classified as current liabilities	(344,784)	(188,305)
Long term portion	130,889	58,826

21. BANKING FACILITIES

At 31 December 2002, the Group's banking facilities were either secured by fixed charges on certain leasehold land and buildings, and plant and machinery of the Group (note 13); or a corporate guarantee of HK$386,186,000 (2001: HK$86,800,000) given by the Company.

22. MINORITY INTERESTS

	Group	
	2002	2001
	HK$'000	HK$'000
Minority interests	200,703	156,335
Due to minority shareholders	9,770	46,005

The balance due to minority shareholders as at 31 December 2002 is unsecured, interest-free and has no fixed terms of repayment. In the prior year, the amount due to the minority shareholders was unsecured, interest-free and was repayable beyond one year. Accordingly, the balance as at 31 December 2001 was classified under non-current liabilities.

23. SHARE CAPITAL

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each (2001: 3,000,000,000 ordinary shares of HK$0.10 each)	1,000,000	300,000
Issued and fully paid:		
1,931,705,600 ordinary shares of HK$0.10 each (2001: 1,543,296,000 ordinary shares HK$0.10 each)	193,171	154,330

23. SHARE CAPITAL (continued)

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

(a) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 April 2002, the authorised share capital of the Company was increased from HK$300,000,000 to HK$1,000,000,000 by the creation of 7,000,000,000 additional shares of HK$0.10 each, ranking pari passu in all respect with the existing share capital of the Company.

(b) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 April 2002, an aggregate of 316,486,400 new ordinary shares of HK$0.10 each were issued as fully paid bonus shares by capitalising the sum of HK$31,648,640 to the credit of the Company's share premium account, on the basis of one bonus share for every five ordinary shares held by the shareholders whose name appeared on the register of members of the Company on that date. The new ordinary shares rank pari passu with the existing ordinary shares of the Company.

(c) During the year, 1,536,000 and 37,600,000 share options before the bonus issue and 27,187,200 and 5,600,000 share options after the adjustment for the bonus issue were exercised at the subscription prices of HK$0.980, HK$1.400, HK$0.816 and HK$1.500 per share, respectively, resulting in the issue of 71,923,200 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$84,730,000.

23. SHARE CAPITAL (continued)

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

	Notes	Number of shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued share capital as at 31 December 2000		2,000	200	—	200
Arising on acquisition of Global Corn Investments Limited and applied in payment of 1,000,000 ordinary shares allotted nil paid on incorporation		—	—	287,735	287,735
New issue on public listing		320,000	32,000	294,400	326,400
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public		958,000	95,800	(95,800)	—
Shares issued on placement		256,000	25,600	450,560	476,160
Shares issued on exercise of share options		7,296	730	6,420	7,150
Shares issue expenses		—	—	(64,630)	(64,630)
Issued share capital as at 31 December 2001 and 1 January 2002		1,543,296	154,330	878,685	1,033,015
Bonus issue of shares	*(b)*	316,486	31,649	(31,649)	—
Shares issued on exercise of share options	*(c)*	71,923	7,192	77,538	84,730
Issued share capital as at 31 December 2002		1,931,705	193,171	924,574	1,117,745

Details of the Company's share option scheme and the share options issued under the scheme are included in note 24 to the financial statements.

24. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

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

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2002, the number of shares issuable under share options granted under the SO Scheme was 115,814,400, which represented approximately 6.0% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the SO Scheme, if earlier.

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

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

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

During the year, no additional share options were granted.

24. SHARE OPTION SCHEME (continued)

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

Category or name of participant	Number of share options				Date of grant of share options**	Exercise period of share options	Exercise price of share options***	Price of Company's share****	
	At 1 January 2002	Adjustment for bonus issues*	Exercised during the year	At 31 December 2002			HK$	At grant date of options HK$	At exercise date of options HK$
Directors									
Liu Xiaoming	6,912,000	1,382,400	(8,294,400)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816	1.00	2.95
	12,288,000	2,457,600	—	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	—
	19,200,000	3,840,000	(8,294,400)	14,745,600					
Xu Zhouwen	19,200,000	3,840,000	—	23,040,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	—
Kong Zhanpeng	6,912,000	1,382,400	(8,294,400)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816	1.00	2.95
	12,288,000	2,457,600	—	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	—
	19,200,000	3,840,000	(8,294,400)	14,745,600					
Wang Tieguang	3,456,000	691,200	(4,147,200)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816	1.00	2.95
	12,288,000	2,457,600	—	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	—
	15,744,000	3,148,800	(4,147,200)	14,745,600					
Au Chun Fat (resigned as a director on 30 April 2002)	6,912,000	1,382,400	—	8,294,400	14 May 2001	14 May 2001 to 13 May 2011	0.816	1.00	—
	12,288,000	2,457,600	—	14,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	—
	19,200,000	3,840,000	—	23,040,000					
	92,544,000	18,508,800	(20,736,000)	90,316,800					
Other employees									
In aggregate	1,536,000	—	(1,536,000)	—	14 May 2001	14 May 2001 to 13 May 2011	0.98#	1.2#	2.45#
	5,376,000	1,075,200	(6,451,200)	—	14 May 2001	14 May 2001 to 13 May 2011	0.816	1.00	3.03
	21,248,000	4,249,600	—	25,497,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	—
	28,160,000	5,324,800	(7,987,200)	25,497,600					
	120,704,000	23,833,600	(28,723,200)	115,814,400					

24. SHARE OPTION SCHEME (continued)

* 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$0.98 and HK$1.58 to HK$0.816 and HK$1.316, respectively, except for the option which were exercised marked with #.

**** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options and was adjusted for the bonus issue made on 23 April 2002 from HK$1.20 and HK$2.00 to HK$1.00 and HK$1.66, respectively. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of share options within the disclosure category, except for the option which were exercised marked with #.

The 28,723,200 share options exercised during the year resulted in the issue of 28,723,200 ordinary shares of the Company and new share capital of HK$2,872,320 and share premium of HK$20,817,715 (before issue expenses).

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

	Number of share options to subscribe for ordinary shares at an exercise price per share of		
	HK$0.816△	**HK$1.316**△	**Total**
	'000	'000	'000
At beginning of year	31,104	89,600	120,704
Exercised before adjustment for the one for five bonus issue (exercise price per share of HK$0.98 before adjustment of bonus issue)	(1,536)	—	(1,536)
Adjustment during the year for the one for five bonus issue	5,913	17,920	23,833
Exercised after adjustment for the one for five bonus issue	(27,187)	—	(27,187)
At the end of year	8,294	107,520	115,814

△ Adjusted to take into account the one for five bonus issue of the issued share capital of the Company.

24. SHARE OPTION SCHEME (continued)

The share options exercisable at a subscription price of HK$0.816, after the adjustment for the one for five bonus issue during the year as at 31 December 2002, will expire on 13 May 2011. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 8,294,400 additional ordinary shares and cash proceeds to the Company of approximately HK$6,768,000 before the related share issue expenses.

The share options exercisable at a subscription price of HK$1.316, after the adjustment for the one for five bonus issue during the year as at 31 December 2002, will expire on 20 August 2011. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 107,520,000 additional ordinary shares and cash proceeds to the Company of approximately HK$141,496,000 before the related share issue expenses.

Other than the SO Scheme disclosed above, the Company has also granted share options to other corporations as follows:

Cargill International Trading Pte Ltd. ("Cargill International")

On 6 March 2001, the Company granted two lots of 5,600,000 share options each to Cargill International, which entitled Cargill International to subscribe for the Company's ordinary shares of HK$0.10 each at exercise prices of HK$1.40 and HK$1.50 (after adjustment for the one for five bonus issue during the year) per share, respectively. The two lots of share options are exercisable during the periods from 18 March 2002 to 16 April 2002, and from 16 September 2002 to 15 October 2002, both dates inclusive, respectively.

During the year, both lots of 5,600,000 share options were exercised at a subscription prices of HK$1.40 and HK$1.50 per share, respectively, resulting in the issue of 11,200,000 new ordinary shares in the Company for a total consideration of HK$16,240,000.

On 25 September 2001, the Company granted a further 23,800,000, 36,800,000 and 47,420,000 share options to Cargill International, which entitle Cargill International to subscribe for the Company's ordinary shares of HK$0.10 each at exercise prices of HK$1.91, HK$2.19 and HK$2.65 per share, respectively. After adjustment for the one for five bonus issue during the year, the exercise price for the three lots of share options became HK$1.59, HK$1.83 and HK$2.21, respectively. The three lots of share options are exercisable during the periods from 25 March 2003 to 23 April 2003, from 25 March 2004 to 23 April 2004, and from 25 March 2005 to 25 April 2005, both days inclusive, respectively.

24. SHARE OPTION SCHEME (continued)

At 31 December 2002, all of the share options granted to Cargill International on 25 September 2001 remained outstanding.

Cheung Kong (Holdings) Limited ("Cheung Kong")

On 6 March 2001, the Company granted two lots of 32,000,000 share options each to Cheung Kong, which entitled Cheung Kong to subscribe for the Company's ordinary shares of HK$0.10 each at an exercise price of HK$1.40 and HK$1.50 (after adjustment for the one for five bonus issue during the year) per share, respectively. The two lots of share options are exercisable for the period from 18 March 2002 to 16 April 2002, and from 16 September 2002 to 15 October 2002, both dates inclusive, respectively.

During the year, 32,000,000 share options were exercised at a subscription price of HK$1.40 per share, resulting in the issue of 32,000,000 new ordinary shares in the Company at a total consideration of HK$44,800,000. The remaining 32,000,000 share options with an exercise price of HK$1.50 lapsed during the year.

25. RESERVES

Group

	Share premium account HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2001	—	6,151	5,656	355,030	366,837
Issue of shares	751,380	—	—	—	751,380
Capitalisation issue of shares	(95,800)	—	—	—	(95,800)
Share issue expenses	(64,630)	—	—	—	(64,630)
Surplus on revaluation	—	1,159	—	—	1,159
Surplus on revaluation shared by minority shareholders	—	(106)	—	—	(106)
Net profit for the year	—	—	—	330,078	330,078
Interim dividend paid — *note 11*	—	—	—	(19,200)	(19,200)
Proposed final dividend — *note 11*	—	—	—	(30,897)	(30,897)
At 31 December 2001	590,950	7,204	5,656	635,011	1,238,821
Issue of shares — *note 23*	77,538	—	—	—	77,538
Bonus issue of shares — *note 23*	(31,649)	—	—	—	(31,649)
Net profit for the year	—	—	—	405,095	405,095
Interim dividend paid — *note 11*	—	—	—	(28,892)	(28,892)
Proposed final dividend — *note 11*	—	—	—	(38,634)	(38,634)
Transfer to retained profits upon wind-up of a subsidiary	—	—	(5,656)	5,656	—
At 31 December 2002	636,839	7,204	—	978,236	1,622,279
Reserves retained by:					
Company and subsidiaries	636,839	7,204	—	980,433	1,624,476
Jointly-controlled entities	—	—	—	(2,197)	(2,197)
31 December 2002	636,839	7,204	—	978,236	1,622,279
Company and subsidiaries	590,950	7,204	5,656	635,517	1,239,327
Jointly-controlled entities	—	—	—	(506)	(506)
31 December 2001	590,950	7,204	5,656	635,011	1,238,821

25. RESERVES (continued)

Company

	Share premium HK$'000	**Retained profits** HK$'000	**Total** HK$'000
Arising on acquisition of Global Corn and applied in payment of 1,000,000 ordinary shares alloted nil paid on incorporation — *note 23*	287,735	—	287,735
Issue of shares	751,380	—	751,380
Capitalisation issue of shares — *note 23*	(95,800)	—	(95,800)
Share issue expenses	(64,630)	—	(64,630)
Net profit for the year — *note 10*	—	60,439	60,439
Interim dividend — *note 11*	—	(19,200)	(19,200)
Proposed final dividend — *note 11*	—	(30,897)	(30,897)
At 31 December 2001	878,685	10,342	889,027
Issue of shares	77,538	—	77,538
Bonus issue of shares — *note 23*	(31,649)	—	(31,649)
Net profit for the year — *note 10*	—	84,884	84,884
Interim dividend — *note 11*	—	(28,892)	(28,892)
Proposed final dividend — *note 11*	—	(38,634)	(38,634)
At 31 December 2002	924,574	27,700	952,274

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the new issue during the year; (iii) the premium arising from the capitalisation issue in previous year; and (iv) the premium arising from the placing and subscriptions of new ordinary shares in previous year.

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

25. RESERVES (continued)

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

Certain subsidiaries which are established in the PRC are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve fund until the reserve reaches 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Changes to the layout of the consolidated cash flow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest income and taxes paid are now included in cash flows from operating activities and interest paid and dividend paid are now included in cash flows from financing activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated to Hong Kong dollars at the exchanges rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year. Previously the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchanges rates ruling at the balance sheet date. The revisions of this SSAP have had no material impact on the 2001 comparative cash flows.

27. CONTINGENT LIABILITIES

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

At 31 December 2002, 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$214,550,000 (2001: HK$33,150,000).

28. OPERATING LEASE ARRANGEMENT

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Within one year	—	489
In the second to fifth years, inclusive	—	965
After five years	—	9,379
	—	10,833

The Company did not have any operating lease arrangement as at 31 December 2002.

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had capital commitments as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Leasehold buildings, contracted for	158,825	128,830
Plant and machinery, contracted for	—	115,352
	158,825	244,182

The Company did not have any significant commitments as at 31 December 2002.

30. RELATED PARTY TRANSACTIONS

In the prior year, the Group purchased raw materials of HK$7,280,000 from Jilin Province Jiliang Shuang Lung Cereal Warehouse ("Jilin Warehouse"). Jilin Province Jiliang Cereal Group Co. Ltd., which is a former minority shareholder of a subsidiary with a 15% interest in a subsidiary of the Company, is the holding company of Jilin Warehouse. In the opinion of the directors, the purchases of raw materials from Jilin Warehouse in the prior year were carried out in the ordinary course of business of the Group and were effected on prices and terms similar to other suppliers. During the year, Jilin warehouse ceased to be a related party to the Group.

31. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2003.

Board of Directors

Liu Xiaoming, *Chairman*

Xu Zhouwen, *Executive Director*

Kong Zhanpeng, *Executive Director*

Wang Tieguang, *Executive Director*

Patrick E Bowe, *Non-Executive Director*

Steven C Wellington,
Alternate Director of Patrick E Bowe

Lee Yuen Kwong,
Independent Non-Executive Director

Chan Man Hon, Eric,
Independent Non-Executive Director

Company Secretary

Ng Wai Kee FHKSA, FCCA

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
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Legal Advisers

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

Principal bankers

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

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

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.globalbiochem.com

Stock Code: 809

Key Dates

Closure of register of members:
19 May 2003 to 21 May 2003
(both days inclusive)
Annual general meeting:
21 May 2003
Date of payment of final dividend:
19 June 2003