Global Bio-chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code : 0809

2005
ANNUAL REPORT

Innovative Resources
Fueling Growth Momentum

* For identification purpose only

JILIN — CHANGCHUN & DEHUI

Annual Capacity:

- Amino Acids
  - Lysine 140,000mt
  - Protein Lysine 220,000mt
  - Glutamic Acid 100,000mt
  - Threonine 10,000mt
- Corn Sweeteners
  - Glucose + Maltose 500,000mt
  - Sorbitol 60,000mt
  - Crystallised Glucose 400,000mt*
- Modified Starch
  - 80,000mt
- Chemicals
  - Polyol 10,000mt
  - Polyol 200,000mt*
- Corn Processing
  - 1.2 million mt
  - 600,000mt*

Site Area: Over 1 million m^2

Location: Situated within Golden Corn Belt

JINZHOU

Annual Capacity:

- Corn Sweeteners
  - Glucose + Maltose 200,000mt*
  - HFCS 100,000mt*
- Corn Processing
  - 600,000mt

Site Area: Approximately 370,000 m^2

Location: Situated within Golden Corn Belt & at transportation hub

SHANGHAI

Annual Capacity:

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

Site Area: Approximately 30,000 m^2

Location: Situated in close proximity to food & beverage manufacturer

HONG KONG

Headquarters

Note:

* In progress

CHANGCHUN

JINZHOU

SHANGHAI

HONG KONG

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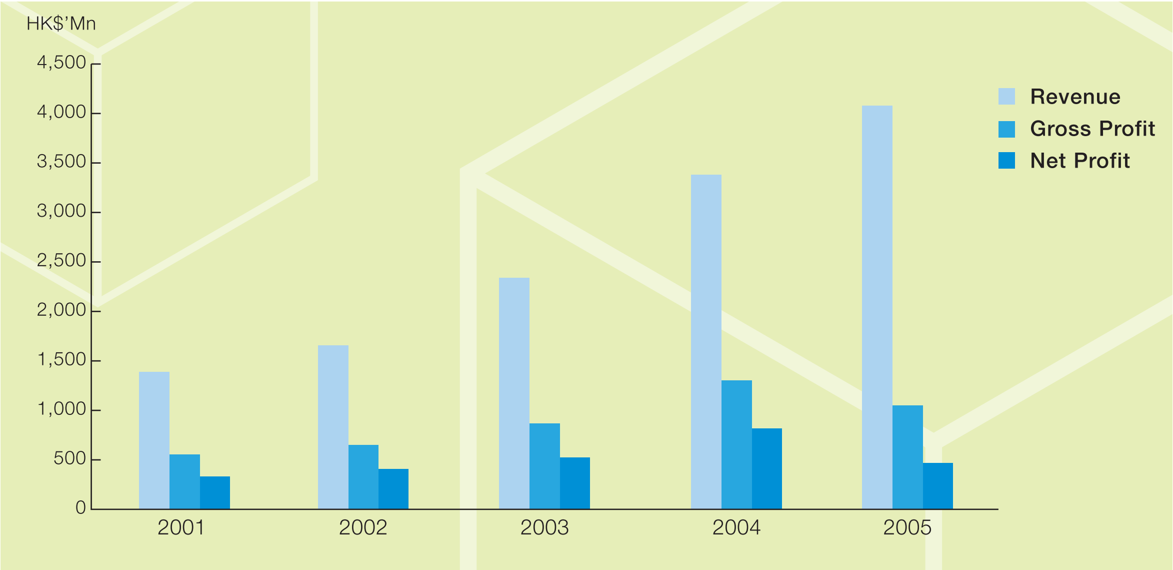
Financial Hightlights



	2005	2004	Change %
Revenue (HK$'Mn)	**4,079**	3,378	21
Profit before tax (HK$'Mn)	**580**	989	(41)
Net profit from ordinary activities attributable to shareholders (HK$'Mn)	**466**	815	(43)
Basic earnings per share (HK cents)	**20.4**	38.9	(48)
Dividend per share			
— Interim (HK cents)	**2.0**	2.5	(20)
— Proposed final (HK cents)	**1.5**	5.0	(70)

Dear shareholders,

There had been a relatively large adjustment in the Group's 2005 operating results as a result of low lysine price due to the outbreaks of bird flu and pig disease and continued increase in the costs of energy resources and transportation expenses in the past year. Turnover and net profit amounted to HK$4.1 billion and HK$460 million respectively, representing an increase of 21 per cent and a decrease of 43 per cent respectively when compared with those of the previous year.

Although the Group faced a difficult operating environment, we still focus on enhancing production technology and improving production techniques by applying a new bacteria strain to lower its production cost in the past year. We also fully utilised our production capacity to rapidly expand its domestic market share to 70% and actively explore the overseas markets which the Group's exports increase by three times when compared with that in 2004. All these efforts are prepared for the recovery of lysine price in the future. The Group also actively developed other amino acid products such as arginine and threonine, among which threonine has begun to generate profit contribution to the Group.

Benefiting from the increase of international sugar price, the Group's corn sweeteners business reported outstanding performance. The gross profit of corn sweeteners increased significantly by 55 per cent when compared to that of the previous year. The business of modified starch and corn refinery products also sustained steady growth. Construction work of plants invested in 2005 had been completed with production commenced at the end of 2005. These include the glutamic acid plant in Dehui, with an annual production capacity of 100,000 metric tonnes, which completed its development and commenced trial production at the end of 2005. The glutamic acid plant will commence full operation in the second quarter of the current year. The joint venture sorbitol plant, with an annual production capacity of 60,000 metric tonnes, had already commenced producing sorbitol and crystallised glucose at the end of 2005. The Group's polyol pilot plant, with an annual production capacity of 10,000 metric tonnes, had been running smoothly during the year, with its products receiving increasing market acceptance. The pilot plant also provides accurate and reliable technical data for the construction of a ployol plant, with an annual production capacity of 200,000 metric tonnes.

Looking into 2006, the price of lysine products will be steady and improve at a steady pace. With the impact of the bird flu and pig disease gradually easing, the poultry industry will regain its vitality, and the Group's lysine business can further capitalise on its competitiveness. Due to the continued upsurge in sugar price driven by the increase in oil price, the Group will expand its corn sweeteners business to capture the opportunity. The Group plans to increase its glucose and maltose capacity by approximately 200,000 mtpa through establishing a new plant in the Jinzhou production base and develop facility with a crystallised glucose capacity of 400,000 mtpa. The Group believes its corn sweetener business will become a more significant profit contributor.

Since its establishment, the Group has been enhancing its profitability through application of advanced production technology and strong research and development capability. The Group will be able to establish new profit centres following the commencement of the operation of a 100,000 mtpa glutamic acid, 60,000 mtpa sorbitol and 10,000 mtpa threonine production lines. To maintain its competitiveness, the Group will continue to enhance production technology, to ensure its products' market niches. We will maintain the Group's growth momentum through effective mobilisation of its resources and innovative spirit.

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

20 April 2006

2005

September

Concluded a US$180 million syndicated banking facilities

August

Signed Joint Venture Agreement with IPP to begin Phase II of polyol project

June

Acquired of entire interest in Changchun Dacheng Industrial Group Company Limited

January

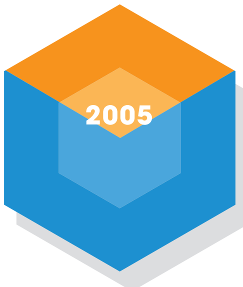
Expanded the Group's lysine production capacity by 120,000 mtpa with Dehui Amino Acid Production Centre commenced production, Lysine series' total production capacity reached 240,000 mtpa

mtpa: metric tonne(s) per annum

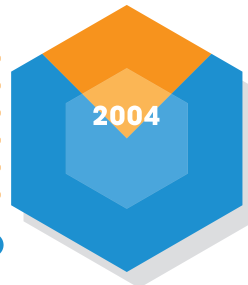
Sales and Gross Profit Analysis

Sales volume (mt)

590,256 (33%)
Lysine *94,793 (5%)*
Protein lysine *148,684 (8%)*
Modified starch *73,708 (4%)*
Corn sweeteners *244,538 (14%)*
HFCS *25,118 (1%)*
Others *3,415(0.09%)*
1,210,634 (67%)



352,890 (25%)
Lysine *48,994 (3%)*
Protein lysine *98,357 (7%)*
Modified starch *42,310 (3%)*
Corn sweeteners *146,927 (11%)*
HFCS *16,135 (1%)*
Others *167 (0.01%)*
1,031,124 (75%)



Sales amount (HK$'000)

2,267,418 (56%)
Lysine *890,963 (22%)*
Protein lysine *668,212 (16%)*
Modified starch *230,755 (6%)*
Corn sweeteners *394,022 (10%)*
HFCS *45,044 (1%)*
Others *38,422 (1%)*
1,811,472 (44%)

1,871,479 (55%)
Lysine *751,431 (22%)*
Protein lysine *728,589 (22%)*
Modified starch *131,659 (4%)*
Corn sweeteners *231,587 (6%)*
HFCS *26,548 (1%)*
Others *1,665 (0.05%)*
1,506,591 (45%)

Gross Profit (HK$'000)

653,016 (62%)
Lysine *223,715 (21%)*
Protein lysine *178,089 (17%)*
Modified starch *107,089 (10%)*
Corn sweeteners *128,701 (12%)*
HFCS *13,539 (1%)*
Others *1,883 (0.02%)*
398,942 (38%)

978,050 (75%)
Lysine *385,375 (30%)*
Protein lysine *438,410 (34%)*
Modified starch *65,911 (5%)*
Corn sweeteners *82,187 (6%)*
HFCS *5,941 (0.5%)*
Others *226 (0.02%)*
323,616 (25%)

Downstream products   Upstream products

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

Global Bio-chem Technology Group Company Limited (the "Company"), its subsidiaries (collectively referred to as the "Group") and its share of each of the jointly-controlled entities are principally engaged in the manufacture and sale of corn based refined products, categorised into upstream and downstream products. Upstream products include corn starch, gluten meal and other corn refined products. Corn starch is then further refined into a wide range of high value-added downstream products including amino acids, corn sweeteners, modified starch and polyol chemical products.

BUSINESS ENVIRONMENT

During the year under review (the "Year"), economic growth of the People's Republic of China (the "PRC") remained strong, which sustained a favorable business environment for the Group.

In view of the high oil price during the Year, the prices of oil-related materials for the production and transportation remained high. This pushed up the production and operating cost of the Group. At the same time, certain type of the Group's products, especially lysine and protein lysine, faced continuous downward price adjustment owing to global oversupply and outburst of animal diseases (e.g. bird flu). Meanwhile, the increasing interest margin of the US dollars also imposed additional pressure on the finance costs of the Group.

Although the PRC remained the principal market, the Group further extended its sales to other regions to effect a strategic allocation of client base and in view of keen demand from overseas markets. During the Year, sales to regions other than the PRC accounted for approximately 19% (2004: 14%) of the Group's turnover.

FINANCIAL PERFORMANCE

The Group's consolidated revenue of approximately HK$4.1 billion (2004: HK$3.4 billion) increased approximately 21% as compared to last year, which mainly resulted from the expansion of the Group's capacity in both upstream and downstream operation in last year. However, due to the continuous price slip of lysine and increase in transportation cost and finance costs, the gross profit of approximately HK$1.1 billion (2004: HK$1.3 billion) and net profit of approximately HK$466 million (2004: HK$815 million) for the Year decreased by approximately 19% and 43% respectively.

Upstream Products Segment

Sales amount: approximately HK$1,811 million (2004: HK$ 1,507 million)
Gross profit: approximately HK$398 million (2004: HK$ 324 million)

Although the internal consumption of corn starch for the production of downstream products increased approximately 91% as compared to prior year, the turnover of upstream products segment increased by approximately 20% to approximately HK$1,811 million. Such outstanding performance mainly resulted from the full scale operation of Jinzhou corn processing plant in 2005.

Although during the Year, costs of sales increased by approximately 19% mainly due to the high utility cost of production, gross profit increased by approximately 23% to approximately HK$398 million which was, as mentioned before, contributed by the additional production capacity. With a substantial portion of the increased cost being successfully passed on to the customers, the gross profit percentage improved slightly by approximately 1%.

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

Downstream Products Segment

Sales amount: approximately HK$2,267 million (2004: HK$1,871 million)
Gross profit: approximately HK$653 million (2004: HK$978 million)

During the Year, the sales volume of all types of the downstream products recorded increases of more than 50%.

However, the performance of lysine series was significantly affected by the continuous slip of lysine price. As compared to the prior year, the average selling price dropped by approximately 36% to approximately HK$6,400 per metric tonne. Although the volume sold increased substantially by approximately 65%, only a slight increase in turnover of approximately 5% was recorded while gross profit was dragged down by approximately HK$422 million representing a decrease of approximately 51%.

On the other hand, the cumulative turnover of other downstream products increased over 81% to approximately HK$708 million, which contributed to additional gross profit of approximately HK$97 million as compared to the previous year.

In view of the above, the overall gross profit from downstream products decreased substantially by approximately 33% to HK$653 million.

Overall Gross Profit

Resulted from the continuous fall of lysine prices which was partially compensated by capacity expansion during the Year, sales amount and gross profit from downstream products segment accounted for approximately 56% (2004: 55%) and 62% (2004: 75%) of the Group's turnover and gross profit respectively. Accordingly, the overall gross profit percentage lowered substantially to approximately 26% (2004: 39%).

Operating expenses, tax and profit shared by minority shareholders

Due to the increase in overseas sales and transportation charge, the percentage of selling and distribution expenses over turnover increased to approximately 7% (2004: 5%). In spite of increase in transportation cost, the percentage of operating expenses over turnover only increased slightly to approximately 9% (2004: 8%). Such performance mainly resulted from the continuous and stringent control over other operating expenses, enhancement in operating efficiency arising from expansion.

The increase of finance costs (after netting-off the amount capitalised as construction in progress of approximately HK$37 million (2004: HK$17 million)) over turnover of approximately 2% was mainly attributable to the enlarged borrowing portfolio and the increase in interest rate.

With the prevailing income tax laws and regulations, most of the subsidiaries established in the PRC still enjoy income tax relief. As the profit generated from subsidiaries with lower income tax rate decreased, the overall effective tax rate of the Group was pushed up slightly by approximately 1% to 7% (2004: 6%).

During the Year, the Group entered into an agreement to acquire 100% equity interest in Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial") at a consideration of HK$900 million. The major assets of Dacheng Industrial mainly included equity interests ranging from 10%–30% in eight subsidiaries of the Company. The transaction was completed in September 2005 and the profit shared by Dacheng Industrial before the completion amounted to approximately HK$74 million (2004: HK$115 million) although portion of the consideration has not yet settled.

The joint venture project with Cagill Inc. ("Cargill") respectively recorded an operating profit of approximately HK$8 million while there was a slim loss from the joint venture project with Mitsui Group during the Year. In view of the recent upward movement of sugar prices and the commencement of production of sorbitol, improvement in operating results of these joint ventures is expected. Due to the adoption of HKAS 31 — interests in joint ventures, the incomes and expenses items, including the comparative figures of last year, of these jointly-controlled entities had been combined on a line-by-line basis in the consolidated financial statements.

Decrease in net profit attributable to shareholders

In view of the decrease in lysine price of which the effect was partially compensated by capacity expansion and stringent control over operating expenses, the net profit attributable to shareholders dropped by approximately 43% to approximately HK$466 million.

IMPORTANT TRANSACTIONS

Acquisition of Dacheng Industrial

During the Year, the Group entered into an agreement to acquire the entire equity interest in Dacheng Industrial at a consideration of HK$900 million. Completion of the acquisition had already been taken place as at the date of this report.

The major assets of Dacheng Industrial mainly comprise minority interests in eight subsidiaries of the Company and certain vacant sites for industrial uses near the main production plant of the Group in Changchun. Through the acquisition, the Group acquired the remaining interests in those subsidiaries held by Dacheng Industrial so that the Group obtained full control of, and financial benefits from, those non-wholly owned subsidiaries and their future expansion plans.

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

According to HKFRS 3, a goodwill of approximately HK$306 million, which represented the excess of acquisition consideration over Dacheng Industrial's identifiable assets, liabilities and contingent liabilities, was recognised at the date of completion and subject to subsequent impairment reassessment.

In view of the huge capital expenditure incurred in 2005 and the intention to satisfy certain financial covenants of the Syndicated Loan as mentioned below, the management of the Group managed to get the consent from the vendors that part of the consideration amounting to HK$630 million will not be payable before third quarter in 2006 and no interest will be charged.

Syndicated banking facilities

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

In view of the huge capital expenditure and additional working capital requirement of various expansion and products development plans, the Syndicated Loan not only provides the Group with additional working capital, but also strengthens the Group's financial capability. In addition, the competitive borrowing costs enhance the Group's profitability and return of equity.

However, in view of mainly the continuous slip of lysine price and increased financial costs, certain financial covenants of the Syndicated Loan cannot be satisfied. Relaxation to these covenants have been proposed. As at the date of this report, unanimous consent from the lenders of the Syndicated Loan for the relaxation of the relevant financial convenants had not yet been obtained. For the sake of prudence, the whole balance of the Syndicated Loan were classified as a current liability so net current liabilities resulted as at 31 December 2005. Risk of insolvency is considered minimal because sufficient and additional financial support had been sought.

Polyol Joint Venture Project

During the Year, the Group entered into a supplemental joint venture agreement with International Polyol Chemicals, Inc. and Icelandic Green Polyols Ehf. (collectively, the "IPP") for the joint construction and operation of a new plant in Changchun with an initial annual production capacity of 200,000 metric tonnes of the polyol chemical products.

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

FINANCIAL RESOURCES AND LIQUIDITY

Net Borrowing position

In view of the continuous depression of lysine price, the Group realised that over-dependence on lysine business might affect the stability of operating profit. Thus, new projects of other products accelerated in 2005 and the Board expected that additional income will be generated from those projects in coming years. In order to support the huge capital expenditure on projects including the construction of facilities and/or expansion projects in relation to lysine series, glutamic acids, corn sweeteners, a new corn refinery, other amino acids and enhancement of existing facilities of approximately HK$470 million, HK$640 million, HK$180 million, HK$310 million, HK$75 million and HK$200 million respectively, the net borrowing as at 31 December 2005 increased to approximately HK$996 million (31 December 2004: HK$308 million).

Structure of interest bearing borrowings

As at 31 December 2005, the Group's bank borrowings amounted to approximately HK$3.1 billion (31 December 2004: HK$1.6 billion), of which approximately 48% (31 December 2004: 42%) were denominated in Hong Kong dollars or US dollars while the remainder was denominated in Renminbi ("RMB"). The average interest rate paid during the Year was approximately 4% (2004: 4%). As the interest rate of the Syndicated Loan amounting to US$180 million is on LIBOR basis, the Board expects that there will be increasing pressure in finance costs in 2006.

The percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years, and beyond five years were approximately 89% (31 December 2004: 59%), 11% (31 December 2004: 40%) and nil (31 December 2004: 1%) respectively. The change is mainly due to the classification of the whole balance of the Syndicated Loan as a current liability as at 31 December 2005. Save for the re-classification of the whole balance of the Syndicated Loan as a current liability, there has not been any material change in repayment pattern. As at 31 December 2005, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$260 million (2004: HK$274 million).

Turnover days, liquidity ratios and gearing ratios

To obtain a better liquidity position and reduce the collection risk of trade receivables, levels of inventories and trade receivables reduced substantially. As a result, the turnover days of inventory and trade receivables shortened to approximately 63 days (31 December 2004: 116 days) and approximately 28 days (31 December 2004: 87 days). In addition, the trade creditors turnover days increased to approximately 38 days (31 December 2004: 27 days).

As a result of the classification of the whole balance of the Syndicated Loan as a current liability and the outstanding consideration for the acquisition of Dacheng Industrial amounting to approximately HK$630 million, the current ratio and the quick ratio as at 31 December 2005 dropped to approximately 0.7 (31 December 2004: 1.9) and 0.6 (31 December 2004: 1.4) respectively. In spite of the unfavorable ratios, the risk of insolvency is considered minimal because sufficient and additional financial support had been sought.

Meanwhile, gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to equity were pushed up to approximately 33% (31 December 2004: 24%), 65% (31 December 2004: 39%) and 21% (31 December 2004: 8%), respectively. Drop in interest coverage (i.e. EBIDTA over finance costs) to approximately 10 times (2004: 35 times) mainly resulted from the decrease in profit from lysine operation and increase in transportation cost, bank borrowing level and interest rate.

Foreign Exchange Exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavorable exposure to foreign exchange fluctuation and that there will be sufficient cash resources denominated in Hong Kong Dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2005.

PROSPECT

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

Lysine Series

Currently, the Group has annual production capacities of 140,000 metric tonnes of lysine and 220,000 metric tonnes of protein lysine. Although the current consumption of lysine in the PRC had been over 250,000 metric tonnes, overshadowed by the outburst of animal diseases and global oversupply, the price of lysine faced downward adjustment in 2005. The Board believes that the risk for further drop in lysine price is unlikely. Moreover, rebound from the bottom is foreseeable because additional demand arises when feed producers lift up their consumption rate of lysine to follow the western or national countries' indicated additive proportion and have to restore buffer stock.

In addition, in order to stabilise the selling price during the transitional period for the change of the feed formula, to mitigate the risk of over-concentration in a single market and to attain worldwide recognition of the Group's products, the Group enlarged the share of overseas market. During the Year, lysine (including protein lysine) of approximately 50,000 metric tonnes (2004: 15,000 metric tonnes) was exported to regions other than the PRC, which accounted for approximately 21% of the Group's production capacity. The Group intends to further increase its export volume of lysine to markets in the US, Europe and Africa.

Polyol Project

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

The Board is of the opinion that the PRC and other regions in Asia are markets with enormous potential for the polyol chemical products. With the continuing effort in developing the technology of using corn starch as raw materials to produce such chemical products and with quality supply of raw materials, integrated infrastructure and the experience in the development under the pilot plant, further development on this project will generate strong contribution to the Group in the future. The Group will continue to place its effort in the development of the technology and knowhow for the production of polyol products.

Sorbitol Project

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

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

The construction work of the sorbitol plant, with initial annual production capacity of 60,000 metric tonnes, has been completed and commercial production has commenced in the late 2005. The Board is considering to develop additional grades and types for sorbitol products.

Glutamic Acid Project and other Amino Acids

The construction of the glutamic acid plant in Dehui has been completed and commercial production also commenced in the first quarter of 2006. The production capacity of this glutamic acid plant is 100,000 metric tones per annum. Synergy effect will be expected by locating the production facilities of lysine and glutamic acid at the same production base, Dehui. To grasp the cost benefits by sourcing corn kernel and producing corn starch locally, construction work of another corn processing plant with sweeteners production capability in Dehui has been commenced in 2005.

The Group is also dedicated to the research and development of many other high value-added amino acids, including arginine, threonine and valine to fuel our growth momentum. The production plant of theronine with annual capacity of 10,000 metric tonnes commenced commercial production in late 2005.

High Fructose Corn Syrup (“HFCS”) Project

In addition to the HFCS refinery in Shanghai, a new HFCS refinery, that will invest together with Cargill is under consideration. The new refinery situated adjacent to Jinzhou Plant will relieve the heavy transportation cost because of its close proximity to customers. In addition, unlike Shanghai HFCS refinery using dry starch, starch slurry from the Group’s plant at Jinzhou would be used directly for production and further cost will be saved.

SHARE OPTIONS

During the Year, approximately 47 million ordinary shares of the Company were subscribed by a wholly-owned subsidiary of Cargill, from which approximately HK$105 million was received by the Group pursuant to the exercise of the share option granted thereto.

In addition, approximately 32 million share options were exercised during the Year at a subscription price of HK$1.316 by full time employees of the Group, from which approximately HK$42 million was received by the Group. As at 31 December 2005, no share options are outstanding.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2005, the Group has approximately 4,300 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success. Therefore qualified and experienced personnel are recruited in the production capability and to develop new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

LIU Xiaoming aged 50, is the Co-Chairman of the Group. He is responsible for the Group's overall business development, as well as the formulation of corporate direction and strategies. He holds a bachelor's degree in chemical engineering from the Hua Nan Polytechnic University.

XU Zhouwen aged 63, is the Co-Chairman of the Group. He is responsible for formulating and implementing the Group's product diversification strategies, managing the Group's product development and technology research, as well as supervising the Group's overall production and operations. He graduated from the Harbin Electric University in 1970.

KONG Zhanpeng aged 42, 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 40, 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 47, is the President of Cargill Sweeteners North America and is responsible for all aspects of Cargill's sweeteners business. He holds a master's degree in economics from Standford University, the United States and has over 20 years of experience in corn milling and sweetener operations.

Steven C WELLINGTON (alternate director to Patrick E BOWE) aged 52, is the PRC Business Development Manager of Cargill Sweeteners North America and is responsible for the development of corn milling exports and investment opportunities in the PRC. He is the director of Global Bio-chem-Cargill (Holdings) Limited, a jointly-controlled entity established by the Group and Cargill.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 45, is a Certified Public Accountant and has been practising since 1990. Graduated from the University of Sunderland, the United Kingdom, he holds a Bachelor of Arts Degree in Business Studies. He has over 19 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently a member of the Advisory Committee on Travel Agents and board member of the Ocean Park Corporation.

CHAN Man Hon, Eric aged 49, is a solicitor and has been practising in Hong Kong for over 24 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.

LI Defa aged 51, is the Dean of the College of Animal Science and Technology, China Agricultural University. He has a Ph.D. in animal science from Kansas State University, the United States of America as well as a master's degree in animal science from Beijing Agricultural University. Before becoming the

Dean of the College of Animal Science and Technology, China Agricultural University, Mr. Li had been a director of National Feed Engineering Technology Research Centre and Ministry of Agriculture Feed Industry Center.

SENIOR MANAGEMENT

AU Chun Fat aged 63, 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 14 years' management experience in various companies which engaged in the trading of machinery and equipment in Hong Kong and the PRC.

CHEUNG Chak Fung aged 41, is the financial controller of the Group and the company secretary of the Company. He is an associate member of The Association of Chartered Certified Accountants. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. He has over 16 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial practice.

LI Weigang aged 47, has a master's degree in banking and finance from the University of Wales, the United Kingdom, as well as a master's degree in economics from The Graduate School of Chinese Academy of Social Sciences. Prior to joining the Group as assistant general manager in May 2001, Mr. Li has held senior positions in various financial institutions in the PRC, with responsibility in corporate finance and general management.

QI Hongbin aged 39, is the dean of design and research institute and director of development centre of the Group. He holds a master's degree from the Jilin Agricultural University, specialising in mechanical engineering. He has over 9 years' experience in process engineering and technology development.

WANG Hui aged 40, is the director of modified starch enterprise of the Group. He graduated from the Qiqihaer University with a bachelor's degree in chemical engineering specialising in high polymer material engineering.

CHU Lalin aged 43, is the chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 20 years of experience in mechanical and food engineering.

WANG Dehui aged 37, is the 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.

ZHANG Xiuzhen aged 61, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC.

LEE Chi Yung aged 31, 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 Institute of Certified Public Accountants and also of The Association of Chartered Certified Accountants.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the Group's corporate governance guidelines and developments. It is our belief that, during the year ended 31 December 2005, the Group has endeavored to comply with the relevant recommendations as laid down in the Code on Corporate Governance Practices ("**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and Corporate Governance Report as set out in Appendix 23 to the Listing Rules. The Board has also reviewed the Group's corporate governance practices and is satisfied that the Group has been in full compliance with all the code provisions of the Code except that, with respect to Code A.4.1, a non-executive director of the Company had not been appointed for a specific term throughout the Year but is subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association ("Articles"). During the Year, such non-executive director has subsequently been appointed by the Company with a definite term of two years by virtue of an appointment letter.

THE BOARD

Member Attendance of Board and Committee Meetings for the year 2005

	Meetings Attended and Held		
	Board Meetings	Audit Committee	Remuneration Committee
Executive Directors			
Liu Xiaoming	5/5		
Xu Zhouwen	5/5		
Kong Zhanpeng	4/5		1/1
Wang Tieguang	3/5		
Non-Executive Directors			
Patrick E Bowe	0/5		
Steven C Wellington, (alternative director to Patrick E Bowe)	2/5		
Independent Non-Executive Directors			
Lee Yuen Kwong	3/5	3/3	1/1
Chan Man Hon, Eric	3/5	3/3	1/1
Li Defa	2/5	1/3	

As on the date of this report, the Board comprises eight directors, being four executive directors, one non-executive director and three independent non-executive directors. There is no family relationship between any of the directors or chief executive officer. Detailed biographies outlining each individual directors' range of specialist experience and suitability for the successful long-term running of the Group can be found on page 14.

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

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

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

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

Every member of the Board has or will retire by rotation at the annual general meeting of the Company at least once every three years. Directors who stand down may subsequently become eligible for re-election at the same annual general meeting.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Term of appointment of non-executive directors

The non-executive director, Mr. Patrick Earl Bowe, is appointed for a term of two years commencing on 6 April 2006.

DIRECTORS' REMUNERATION

During the period under review, directors' remuneration is disclosed as follows:

	Notes	Group 2005 HK$'000	2004 HK$'000
Fees	(a)	**870**	690
Other emoluments:	(b)		
Basic salaries, housing benefits, other allowances and benefits in kind		**10,320**	10,290
Performance related bonuses		**10,000**	16,310
Pension scheme contributions		**48**	48
		20,368	26,648
		21,238	27,338

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, is entitled to a management bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2005, the aggregate amount of the bonuses payable to the executive directors was equivalent to 2% (2004: 2%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent non-executive directors

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

	Group 2005 HK$'000	2004 HK$'000
Mr. Chan Man Hon, Eric	**345**	345
Mr. Lee Yuen Kwong	**345**	345
Mr. Li Defa	**180**	—
	870	690

There were no other emoluments payable to the independent non-executive directors during the Year (2004: Nil).

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005				
Executive directors:				
Mr. Liu Xiaoming	**3,000**	**3,000**	**12**	**6,012**
Mr. Kong Zhanpeng	**2,160**	**2,000**	**12**	**4,172**
Mr. Wang Tieguang	**2,160**	**2,000**	**12**	**4,172**
Mr. Xu Zhouwen	**3,000**	**3,000**	**12**	**6,012**
	10,320	**10,000**	**48**	**20,368**
2004				
Executive directors:				
Mr. Liu Xiaoming	2,970	4,741	12	7,723
Mr. Kong Zhanpeng	2,160	3,414	12	5,586
Mr. Wang Tieguang	2,160	3,414	12	5,586
Mr. Xu Zhouwen	3,000	4,741	12	7,753
	10,290	16,310	48	26,648

The Board will meet at least once each year to review the nomination procedures and the process and criteria adopted by the Board to select and recommend candidates for directorship.

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

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

Code provision A.4.2 requires that every director should be subject to retirement by rotation at least once every three years and all directors appointed to fill a casual vacancy should be subject to election at the first general meeting after his appointment.

Article 111 of the Company's Articles provides that any director appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election (but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at such meeting). The Board will propose relevant amendments to be made to the Company's Articles for approval by the shareholders at the forthcoming annual general meeting of the Company such that any director appointed to fill a causal vacancy shall be subject to election by shareholders of the Company at the first general meeting after his appointment.

Pursuant to Article 108(A) of Company's Articles, at each annual general meeting of the Company, at least one-third of the directors for the time being shall retire form office, except the director holding office as chairman or managing director of the Company. The Company has reviewed its Articles in order to align the Code provisions of the Code and recent amendments to the Listing Rules, the Board will propose relevant amendments to be made to the Company's Articles for approval by the shareholders at the forthcoming annual general meeting of the Company such that every director, including those appointed for a specific term shall subject to retirement by rotation at least once every three years.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa. Mr. Lee Yuen Kwong is the Chairman of the Audit Committee. The Committee assists the Board in, among other matters, providing an independent and objective review of the effectiveness of the financial reporting process, internal control and risk management system as well as internal audit function of the Group. It primarily aims to increase the Board's accountability, transparency and objectively.

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

The Audit Committee met three times in 2005.

INTERNAL CONTROL

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

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

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

In January 2006, the Board has engaged Moores Rowland Mazars Certified Public Accountants to conduct a review of the effectiveness of the system of internal control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee.

REMUNERATION COMMITTEE

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

In 2005, the Remuneration Committee held one meeting to review and approve the directors' and senior management's remuneration packages.

REMUNERATION POLICY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2005, the directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgements and estimates that are appropriate, and prepared the accounts on the going concern basis.

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

AUDITORS' REMUNERATION

For the year ended 31 December 2005, HK$4,450,000 was paid as remuneration to Ernst & Young for the provision of audit services and remuneration of HK$713,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Group. During the same period, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group.

	Remuneration HK$'000
Taxation compliance	42
Others	600
Total	642

COMMUNICATION WITH SHAREHOLDERS

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

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

Details of the poll voting procedures and the rights of shareholders to demand a poll were included in the circular to shareholders dispatched together with the annual report. The circular also included relevant details of proposed resolutions.

Based on the information that is publicly available to the Group and within the knowledge of the directors, the Group has maintained the prescribed amount of public float during the year 2005 and up to the date of this annual report as required by the Listing Rules.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2005.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2005.

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the "Company"), its subsidiaries (collectively referred to as the "Group") and its share of each of the jointly-controlled entities for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 98.

An interim dividend of HK2 cents per ordinary share was paid on 11 November 2005. The directors recommend the payment of a final dividend of HK1.5 cents per ordinary share in respect of the year to shareholders on the register of members on 22 May 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 99. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law (Revised) of the Cayman Islands, amounting to approximately HK$2,165,970,000, of which approximately HK$34,783,000 had 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$2,107,805,000 as at 31 December 2005 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 20% of the total sales for the year and sales to the largest customer included therein accounted for 6% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 14% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Liu Xiaoming
Xu Zhouwen
Kong Zhanpeng
Wang Tieguang

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

Independent non-executive directors:
Lee Yuen Kwong
Chan Man Hon, Eric
Li Defa

DIRECTORS (continued)

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

Two of the independent non-executive directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric, are appointed for a term of two years commencing on 1 March 2005. One of the independent non-executive directors, Mr. Li Defa, is appointed for a term of two years commencing on 15 September 2004.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	Notes	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Liu Xiaoming	1	13,636,000	345,600,000	359,236,000	15.5
Mr. Xu Zhouwen	2	13,040,000	211,040,000	224,080,000	9.7
Mr. Kong Zhanpeng	3	13,040,000	172,800,000	185,840,000	8.0
Mr. Wang Tieguang	4	8,892,800	172,800,000	181,692,800	7.8
		48,608,800	902,240,000	950,848,800	41.0

Long positions in warrants of the Company:

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

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

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

Long positions in warrants of the Company: (continued)

Notes:

1. 345,600,000 shares are owned by and 43,200,000 warrants were issued to LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.

2. 211,040,000 shares are owned by and 26,380,000 warrants were issued to Crown Asia Profits Limited, a company incorporated in the BVI. The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen.

3. 172,800,000 shares are owned by and 21,600,000 warrants were issued to Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

4. 172,800,000 shares are owned by and 21,600,000 warrants were issued to Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above, as at 31 December 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" and in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 December 2005, the following persons, other than a director or chief executive of the Company, are interested in 5% or more of the issued share capital and share options of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
LXM Limited	1	345,600,000	14.9
Crown Asia Profits Limited	2	211,040,000	9.1
FMR Corporation		180,984,600	7.8
Fidelity Management & Research Company		180,307,600	7.8
Hartington Profits Limited	3	172,800,000	7.5
Rich Mark Profits Limited	4	172,800,000	7.5
Morgan Stanley		139,298,764	6.0
Morgan Stanley International Incorporated		126,553,144	5.5
Morgan Stanley Capital Management L.L.C.		126,553,144	5.5
Morgan Stanley Domestic Capital Inc.		126,553,144	5.5
Morgan Stanley International Holding Inc.		117,870,305	5.1
Morgan Stanley Asia Pacific (Holdings) Limited		117,870,305	5.1
Morgan Stanley Asia Regional (Holdings) III LLC		117,843,000	5.1
Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd.		117,843,000	5.1
Morgan Stanley Investment Management Company		117,843,000	5.1
Government of Singapore Investment Corporation Pte Ltd.		116,280,000	5.0

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Related party transactions, which fall within the definition stipulated in the Hong Kong Accounting Standard 24 ("HKAS 24") "Related party disclosures", undertaken by the Group during the Year are set out in note 32 to the financial statements. The transactions included in note 32 to the financial statements also constitute connected transactions as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

(a) Acquisition of Dacheng Industrial

On 29 June 2005, Global Corn Bio-chem Technology Company Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into an agreement with Bright Balance Investments Limited ("Bright Balance"), Profit Kingdom Investments Limited ("Profit Kingdom") and Leadermind Investments Limited ("Leadermind") as vendors for the purchase of the entire equity interest in Dacheng Industrial as to approximately 25.57% from Bright Balance, approximately 14.09% from Profit Kingdom and approximately 60.34% from Leadermind for an aggregate cash consideration of HK$900 million, payable upon completion of the acquisition.

Immediately prior to the acquisition, Dacheng Industrial was a substantial shareholder (as defined under the Listing Rules) of eight subsidiaries of the Company and was owned as to approximately 25.57%, 14.09% and 60.34% by Bright Balance, Profit Kingdom and Leadermind respectively. Since Leadermind was then the holding company of Dacheng Industrial and thus an associate of Dacheng Industrial, it was a connected person of the Company and therefore the acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

The then major assets of Dacheng Industrial mainly comprise minority equity interests ranging from 10% to 30% in eight subsidiaries of the Company and certain vacant sites for industrial uses near the main production plant of the Group in the PRC. Through the Acquisition, the Group acquired the remaining interests in these subsidiaries and thereby obtained full control of, and financial benefits from, these non-wholly owned subsidiaries and their future expansion plans.

(b) Establishment of New Joint Venture for the Polyol Project

On 11 August 2005, the Company and Global Bio-chem Technology Limited, a wholly-owned subsidiary of the Company, entered into a supplemental joint venture agreement with International Polyol Chemicals, Inc. and Icelandic Green Polyols Ehf. (collectively, the "IPP") for the establishment of a new joint venture private company in Hong Kong (namely, Global Corn Chemical Investment Limited) (the "New SPV"), which would in turn establish a wholly-owned subsidiary in the PRC for the joint construction and operation of a new plant in Changchun with an initial annual production capacity of 200,000 metric tonnes of the polyol chemical products.

Under the supplemental joint venture agreement, the expected total investment of the joint venture amounts to US$95 million, which would be totally injected by the Group on cash basis by way of an unsecured, non-interest bearing loan note while the IPP would make their contribution by way of their grant of royalty fee free licence for the use of certain technology know-how by the new joint venture.

The Group and the IPP will hold 81.25% and 18.75% of the equity interest in the New SPV respectively. Under the supplemental joint venture agreement, a call option will be granted by the Group to the IPP pursuant to which that the IPP may request the Group to sell to them and/or their respective affiliates up to 30.25% of the total issued share capital of the New SPV. The call option is exercisable at any time during the term of the supplemental joint venture agreement while the acquisition price shall be determined with reference to the prospective price earning ratio to be determined by a recognised investment banking company or a certified public accounting company and as agreed by the Group and the IPP.

Since IPP are substantial shareholders of a subsidiary of the Company holding in aggregate 25% of its issued share capital, they are connected persons of the Company and therefore the supplemental joint venture agreement and the grant of the said call option and other transaction as contemplated by the supplemental joint venture agreement and its ancillary agreements constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

(c) Sales to the Mitsui Group

Mitsui & Co. Ltd. and its subsidiaries (collectively, the "Mitsui Group") is one of the Group's customers and the Group has been selling its products to the Mitsui Group since 2000. During the Year, the Group had sold some of its products to the Mitsui Group in its ordinary and usual course of business for an aggregate sum of approximately HK$23 million. The Mitsui Group holds in aggregate 49% interest in the share capital of one of the subsidiaries of the Company and is a substantial shareholder of one of the subsidiaries of the Company. The above sale transactions (the "Continuing Connected Transactions") constituted continuing connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed and confirmed that the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and (iv) the aggregate consideration charged by the Group in respect of the Continuing Connected Transactions during the year had not exceed the cap amount of the higher of either HK$10 million or 3% of the latest consolidated audited net tangible assets of the Group as at 31 December 2005. The auditors of the Company have confirmed that the Continuing Connected Transactions have complied with the matters as set out in Rule 14A.38 of the Listing Rules.

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

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

Pursuant to a syndicated loan facility agreement dated 2 September 2005 entered into between the Company and a syndicate of banks and financial institutions, relating to a 36-month term loan facility of US$120,000,000 and a 35-month revolving loan facility of US$60,000,000. A termination event would arise if (i) certain existing executive directors of the Company and Mr. Au Chun Fat, one of the founders who is also an ex-director of the Company, cease to own beneficially, directly or indirectly, at least 30% of the shares in the Company's issued share capital; and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement.

At the balance sheet date and subsequent to the balance sheet date, the Group breached certain financial covenants with respect to (ii) above. The directors have taken action to rectify the iteration, details of which have been disclosed in note 2.1 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE

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

The Company has complied throughout the year with the Code as set out in Appendix 14 of the Listing Rules.

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

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

ON BEHALF OF THE BOARD

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

Hong Kong
20 April 2006

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 35 to 98 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 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
20 April 2006

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
REVENUE	5	**4,078,890**	3,378,070
Cost of sales		**(3,027,532)**	(2,076,404)
Gross profit		**1,051,358**	1,301,666
Other income and gains	5	**28,949**	23,234
Selling and distribution costs		**(277,451)**	(164,336)
Administrative expenses		**(118,056)**	(125,232)
Other expenses		**(15,460)**	(17,709)
Finance costs	7	**(89,106)**	(28,322)
PROFIT BEFORE TAX	6	**580,234**	989,301
Tax	10	**(39,895)**	(58,491)
PROFIT FOR THE YEAR		**540,339**	930,810
Attributable to:			
Equity holders of the Company	11	**466,484**	815,451
Minority interests		**73,855**	115,359
		540,339	930,810
DIVIDENDS	12		
Interim		**46,377**	54,144
Proposed final		**34,783**	111,949
		81,160	166,093
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK$0.204**	HK$0.389
Diluted		**HK$0.202**	HK$0.384

Consolidated Balance Sheet

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,338,090**	3,566,464
Prepaid land premiums	15	**498,550**	171,008
Deposits paid for acquisition of property, plant and equipment		**74,217**	97,188
Goodwill	16	**357,014**	45,362
Long term loan to a jointly-controlled entity	18	**40,000**	40,000
Total non-current assets		**6,307,871**	3,920,022
CURRENT ASSETS			
Inventories	19	**522,230**	659,330
Trade receivables	20	**310,534**	802,599
Prepayments, deposits and other receivables		**173,184**	135,708
Due from jointly-controlled entities	18	**9,113**	7,128
Tax recoverable		**13,629**	3,333
Cash and cash equivalents	21	**2,066,424**	1,307,175
Total current assets		**3,095,114**	2,915,273
CURRENT LIABILITIES			
Trade payables	22	**317,132**	151,106
Other payables and accruals		**1,245,060**	385,271
Interest-bearing bank and other borrowings	23	**2,733,161**	963,586
Due to a Group company	18	**20,000**	20,000
Due to minority shareholders		**—**	48,831
Tax payable		**4,728**	12,978
Total current liabilities		**4,320,081**	1,581,772
NET CURRENT ASSETS/(LIABILITIES)		**(1,224,967)**	1,333,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,082,904**	5,253,523

Continued/....

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,082,904**	5,253,523
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**329,482**	651,705
Deferred tax liabilities	25	**14,850**	10,591
Total non-current liabilities		**344,332**	662,296
Net assets		**4,738,572**	4,591,227
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	26	**231,884**	223,899
Reserves	28(a)	**4,471,905**	3,798,517
Proposed final dividend	12	**34,783**	111,949
		4,738,572	4,134,365
Minority interests		**—**	456,862
Total equity		**4,738,572**	4,591,227

Liu Xiaoming
Director

Xu Zhouwen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

	Notes	Attributable to equity holders of the Company								Minority interests	Total equity
		Issued share capital	Share premium account	Asset revaluation reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As previously reported at 1 January 2005		223,899	1,680,278	86,427	3,334	—	2,054,267	111,949	4,160,154	463,741	4,623,895
Prior year adjustments for the adoption of HKAS 17	2.4	—	—	(25,789)	—	—	—	—	(25,789)	(6,879)	(32,668)
As restated, after prior year adjustments at 1 January 2005		223,899	1,680,278	60,638	3,334	—	2,054,267	111,949	4,134,365	456,862	4,591,227
Surplus on revaluation, net of deferred tax charge of HK$4,259,000		—	—	20,080	—	—	—	—	20,080	—	20,080
Exchange realignment		—	—	—	—	130,662	—	—	130,662	—	130,662
Income recognised directly in equity		—	—	20,080	—	130,662	—	—	150,742	—	150,742
Net profit for the year		—	—	—	—	—	466,484	—	466,484	73,855	540,339
Acquisition of a minority shareholder	29	—	—	—	—	—	—	—	—	(530,717)	(530,717)
Final 2004 dividend paid		—	—	—	—	—	(2,470)	(111,949)	(114,419)	—	(114,419)
Share subscription and placement	26	7,985	139,792	—	—	—	—	—	147,777	—	147,777
Interim 2005 dividend	12	—	—	—	—	—	(46,377)	—	(46,377)	—	(46,377)
Proposed final 2005 dividend	12	—	—	—	—	—	(34,783)	34,783	—	—	—
Transfer from retained profits		—	—	—	760	—	(760)	—	—	—	—
At 31 December 2005		231,884	1,820,070*	80,718*	4,094*	130,662*	2,436,361*	34,783	4,738,572	—	4,738,572

	Notes	Attributable to equity holders of the Company							Minority interests	Total equity
		Issued share capital	Share premium account	Asset revaluation reserve	Statutory reserve fund	Retained profits	Proposed final dividend	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As previously reported at 1 January 2004		201,019	750,716	86,427	2,369	1,405,874	50,255	2,496,660	316,829	2,813,489
Prior year adjustments for the adoption of HKAS 17	2.4	—	—	(25,789)	—	—	—	(25,789)	(6,879)	(32,668)
As restated, after prior year adjustments at 1 January 2004		201,019	750,716	60,638	2,369	1,405,874	50,255	2,470,871	309,950	2,780,821
Net profit for the year		—	—	—	—	815,451	—	815,451	115,359	930,810
Acquisition of a subsidiary		—	—	—	—	—	—	—	31,553	31,553
Final 2003 dividend paid		—	—	—	—	—	(50,255)	(50,255)	—	(50,255)
Share subscription and placement	26	22,880	954,751	—	—	—	—	977,631	—	977,631
Share issue expenses	26	—	(25,189)	—	—	—	—	(25,189)	—	(25,189)
Interim 2004 dividend	12	—	—	—	—	(54,144)	—	(54,144)	—	(54,144)
Proposed final 2004 dividend	12	—	—	—	—	(111,949)	111,949	—	—	—
Transfer from retained profits		—	—	—	965	(965)	—	—	—	—
At 31 December 2004		223,899	1,680,278*	60,638*	3,334*	2,054,267*	111,949	4,134,365	456,862	4,591,227

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

* These reserve accounts comprise the consolidated reserves of the Group of HK$4,471,905,000 (2004: HK$3,798,517,000) on the consolidated balance sheet.

Year ended 31 December 2005

	Notes	**2005 HK$'000**	2004 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**580,234**	989,301
Adjustments for:			
Finance costs	7	**89,106**	28,322
Interest income	5	**(12,421)**	(3,835)
(Gain)/loss on disposal of items of property, plant and equipment	5&6	**(73)**	4,124
Depreciation	6	**221,773**	124,089
Amortisation of prepaid land premiums	6	**12,014**	2,013
Impairment of property, plant and equipment	6	**244**	—
Impairment of prepaid land premiums	6	**5,886**	—
Goodwill amortisation and impairment	6	**—**	677
Operating profit before working capital changes		**896,763**	1,144,691
Decrease/(increase) in inventories		**137,100**	(275,446)
Decrease/(increase) in trade receivables		**492,065**	(326,078)
Increase in prepayments, deposits and other receivables		**(3,503)**	(65,297)
Increase in trade payables		**166,026**	30,455
Increase in other payables and accruals		**204,471**	317,601
Cash generated from operations		**1,892,922**	825,926
Interest received		**12,421**	3,835
Overseas taxes paid		**(58,441)**	(50,999)
Net cash inflow from operating activities		**1,846,902**	778,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,811,256)**	(1,368,097)
Proceeds from disposal of items of property, plant and equipment		**3,689**	1,692
Acquisition of a minority shareholder	29	**(181,790)**	—
Payment of land premiums	15	**(88,265)**	(12,687)
Acquisition of a subsidiary	29	**—**	(93,387)
Investment in a jointly-controlled entity		**—**	(59,288)
Repayments from/(advances to) jointly-controlled entities		**(1,985)**	1,603
Net cash outflow from investing activities		**(2,079,607)**	(1,530,164)

continued/....

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**147,777**	977,631
Share issue expenses	26	**—**	(25,189)
New bank loans		**2,784,848**	697,302
New other loans		**—**	11,215
Repayment of bank loans		**(1,393,409)**	(211,105)
Repayment of other loans		**(11,538)**	(20,247)
Related fees paid for the banking facilities granted		**(17,438)**	—
Advances from/(repayments to) minority shareholders		**(278,461)**	38,776
Interest paid		**(104,295)**	(41,478)
Dividends paid		**(160,796)**	(104,399)
Net cash inflow from financing activities		**966,688**	1,322,506
NET INCREASE IN CASH AND CASH EQUIVALENTS		**733,983**	571,104
Cash and cash equivalents at beginning of year		**1,307,175**	736,071
Effect of foreign exchange rate changes, net		**25,266**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,066,424**	1,307,175
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	21		
Cash and bank balances		**2,016,135**	820,013
Non-pledged time deposits with original maturity of less than three months when acquired		**50,289**	487,162
		2,066,424	1,307,175

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**287,937**	287,937
Total non-current assets		**287,937**	287,937
CURRENT ASSETS			
Due from subsidiaries	17	**2,770,540**	2,207,337
Due from jointly-controlled entities	18	**79**	—
Prepayments, deposits and other receivables		**59**	2,390
Cash and cash equivalents	21	**740,525**	452,577
Total current assets		**3,511,203**	2,662,304
CURRENT LIABILITIES			
Other payables and accruals		**21,786**	24,711
Interest-bearing bank and other borrowings	23	**1,379,500**	303,972
Total current liabilities		**1,401,286**	328,683
NET CURRENT ASSETS		**2,109,917**	2,333,621
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,397,854**	2,621,558
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**—**	310,000
Net assets		**2,397,854**	2,311,558
EQUITY			
Issued capital	26	**231,884**	223,899
Reserves	28(b)	**2,131,187**	1,975,710
Proposed final dividend	12	**34,783**	111,949
Total equity		**2,397,854**	2,311,558

Liu Xiaoming
Director

Xu Zhouwen
Director

1. CORPORATE INFORMATION

Global Bio-Chem Technology Group Company Limited (the "Company") is incorporated in the Cayman Islands. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

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

2.1 BASIS OF PREPARATION

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

During the year, the Group was granted loan facilities of US$180 million by a syndicate of banks ("Syndicated Loan") (see note 23). As at the balance sheet date, the loan facilities have been fully drawn down and the outstanding loan balance was approximately HK$1,395 million equivalent. The first repayment instalment will be due on 2 March 2007. However, the Group was unable to comply with one of the financial covenants at the balance sheet date and in addition, as at 31 March 2006, the Group was unable to comply with another financial covenant according to the unaudited management accounts as at that date. Accordingly, the whole balance of the Syndicated Loan amounting to approximately HK1,395 million has been classified as a current liability as at the balance sheet date.

The directors have been negotiating with the lenders for a relaxation of the financial covenants. On the basis of progress made to date, there are strong indications that such relaxation will be granted by the lenders as a majority of the lenders have confirmed in writing their consent. However, pursuant to the syndicated loan agreement, all lenders' consent are required in order to amend the terms of the loan. Though the directors are confident that all the lenders will agree to grant the relaxation of the financial covenants, they have entered into a facility agreement with a bank to provide a facility as a back-up arrangement. Pursuant to the agreement from a bank dated 20 April 2006, the bank has offered to act as the coordinating arranger for the Company in relation to a loan facility of US$180 million to refinance the Syndicated Loan and is prepared to underwrite the facility subject to documentation acceptable to the bank and other participating lenders. The directors consider that the Group's inability to comply with such financial covenants of the Syndicated Loan will not result in any liquidity issue to the Group. Accordingly, these financial statements are prepared on a going concern basis.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and its share of each jointly-controlled entity for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The results of the jointly-controlled entities are proportionate consolidated. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of a minority shareholder during the year has been accounted for using the purchase method of accounting. The difference between the consideration paid and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of acquisition was treated as goodwill. The assets and liabilities of the subsidiaries would not be remeasured to reflect their fair values at the date of the acquisition.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement

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

HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 27, 32, 33, 37, 38, HKFRS 2 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 — Leases

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

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

This change in accounting policy has had no material effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the prepaid land premiums.

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

(b) HKAS 31 — Interests in Joint Ventures

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

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

(c) HKAS 39 — Financial Instruments: Recognition and Measurement

In prior years, transactions costs incurred in connection with loans and borrowings were recognised separately as long term prepayments, and were stated at cost less amortisation based on a straight-line basis over the life of loans and borrowings.

Upon the adoption of HKAS 39, all loans and borrowings are initially recognised at the fair value. Any transaction costs should account for as part of the loans borrowings. Accordingly, the current and prior years' long term prepayments have been reclassified as loans and borrowings. This change in accounting policy has had no effect on the Group's net assets and retained profits. However, the consolidated balance sheet as at 31 December 2004 has been restated in this respect.

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

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

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

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

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

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

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 January 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the retained profits remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are not mandatory for these financial statements. The Group has not early applied these HKFRSs in these financial statements. The following new and revised HKFRSs, although not early adopted by the Group, will have impact on the Group's financial statements in the period of initial application. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 January 2005	Effect of adopting HKAS 17	HKAS 31	HKAS 39	
Effect of new policies (Increase/(decrease))	Prepaid land premiums HK$'000	Interests in joint ventures HK$'000	Financial instruments HK$'000	Total HK$'000
Assets				
Property, plant and equipment	(207,848)	14,505	—	(193,343)
Prepaid land premiums	167,410	3,598	—	171,008
Interests in jointly-controlled entities	—	(95,709)	—	(95,709)
Long term loan to jointly-controlled entities	—	40,000	—	40,000
Long term prepayment	—	—	(6,028)	(6,028)
Inventories	—	4,102	—	4,102
Trade receivables	—	3,825	—	3,825
Prepayments, deposits and other receivables	2,013	190	—	2,203
Due from jointly-controlled entities	—	319	—	319
Cash and cash equivalents	—	64,034	—	64,034
	(38,425)	34,864	(6,028)	(9,589)
Liabilities/equity				
Trade payables	—	404	—	404
Other payables and accruals	—	1,175	—	1,175
Interest-bearing bank and other borrowings	—	11,625	(6,028)	5,597
Due to a Group company	—	20,000	—	20,000
Due to minority shareholders	—	1,660	—	1,660
Deferred tax liabilities	(5,757)	—	—	(5,757)
Asset revaluation reserve	(25,789)	—	—	(25,789)
Minority interests	(6,879)	—	—	(6,879)
	(38,425)	34,864	(6,028)	(9,589)

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31 December 2005	Effect of adopting HKAS 17	HKAS 31	HKAS 39	
Effect of new policies (Increase/(decrease))	Prepaid land premiums HK$'000	Interests in joint ventures HK$'000	Financial instruments HK$'000	Total HK$'000
Assets				
Property, plant and equipment	(547,226)	65,131	—	(482,095)
Prepaid land premiums	494,945	3,605	—	498,550
Interests in jointly-controlled entities	—	(97,369)	—	(97,369)
Long term loan to jointly-controlled entities	—	40,000	—	40,000
Long term prepayment	—	—	(15,500)	(15,500)
Inventories	—	8,228	—	8,228
Trade receivables	—	7,216	—	7,216
Prepayments, deposits and other receivables	13,856	3,514	—	17,370
Due from jointly-controlled entities	—	(2,667)	—	(2,667)
Cash and cash equivalents	—	14,831	—	14,831
	(38,425)	42,489	(15,500)	(11,436)
Liabilities/equity				
Trade payables	—	1,565	—	1,565
Other payables and accruals	—	9,299	—	9,299
Interest-bearing bank and other borrowings	—	11,625	(15,500)	(3,875)
Due to a Group company	—	20,000	—	20,000
Deferred tax liabilities	(5,757)	—	—	(5,757)
Asset revaluation reserve	(25,789)	—	—	(25,789)
Minority interests	(6,879)	—	—	(6,879)
	(38,425)	42,489	(15,500)	(11,436)

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effect on the balances of equity at 1 January 2004 and 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 17 Prepaid land premiums HK$'000
1 January 2004	
Asset revaluation reserve	(25,789)
Minority interests	(6,879)
	(32,668)
1 January 2005	
Asset revaluation reserve	(25,789)
Minority interests	(6,879)
	(32,668)

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statements for the years ended 31 December 2005 and 2004

Effect of new policies	Effect of adopting HKAS 31 Interests in joint ventures HK$'000
Year ended 31 December 2005	
Increase in revenue	15,960
Increase in cost of sales	(6,632)
Increase in other income	797
Increase in selling and distribution costs	(4,222)
Increase in administrative expenses	(4,694)
Increase in finance costs	(540)
Decrease in share of profits and losses of jointly-controlled entities	(661)
Increase in tax	(8)
	—
Year ended 31 December 2004	
Increase in revenue	2,477
Increase in cost of sales	(146)
Increase in other income and gains	221
Increase in selling and distribution costs	(3,782)
Increase in administrative expenses	(9,292)
Decrease in other expenses	9,345
Increase in finance costs	(293)
Decrease in share of profits and losses of jointly-controlled entities	1,479
Increase in tax	(9)
	—

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

Jointly-controlled entities

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

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (other than financial assets)

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, 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 such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

(b) the party is an associate;

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group; or

(h) the party is a minority shareholder of the Group's subsidiaries.

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Intangible assets (other than goodwill)

Research and development costs

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

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

Leases

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

Prepaid land premiums/land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments of other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments of other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognition of financial assets

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments 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 sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes and other retirement benefits

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$357,014,000 (2004: HK$45,362,000). More details are given in note 16.

4. SEGMENT INFORMATION

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

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

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

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

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

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2005 HK$'000	2004 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000 (Restated)
Segment revenue:								
Sales to external customers	1,811,472	1,506,591	2,267,418	1,871,479	—	—	4,078,890	3,378,070
Intersegment sales	906,869	670,997	—	—	(906,869)	(670,997)	—	—
Total	2,718,341	2,177,588	2,267,418	1,871,479	(906,869)	(670,997)	4,078,890	3,378,070
Segment results	356,224	463,527	322,824	594,304	—	—	679,048	1,057,831
Unallocated revenue							6,998	1,326
Unallocated expenses							(16,706)	(41,534)
Profit from operating activities							669,340	1,017,623
Finance costs							(89,106)	(28,322)
Profit before tax							580,234	989,301
Tax							(39,895)	(58,491)
Profit for the year							540,339	930,810
Attributable to:								
Equity holders of the Company							466,484	815,451
Minority interests							73,855	115,359
							540,339	930,810
Assets and liabilities								
Segment assets	2,642,996	2,790,739	5,646,477	3,442,568	—	—	8,289,473	6,233,307
Due from jointly-controlled entities							29,113	27,128
Unallocated assets							1,084,399	574,860
Total assets							9,402,985	6,835,295
Segment liabilities	1,073,036	814,248	1,524,450	763,089	—	—	2,597,486	1,577,337
Unallocated liabilities							2,066,927	666,731
Total liabilities							4,664,413	2,244,068
Other segment information:								
Capital expenditure, including payment of land premiums	104,876	285,896	2,060,094	1,199,313	—	—	2,164,970	1,485,209
Depreciation	80,452	64,678	141,321	59,411	—	—	221,773	124,089
Impairment of property, plant and equipment	—	—	244	—	—	—	244	—
Amortisation of prepaid land premiums	3,785	1,783	8,229	230	—	—	12,014	2,013
Impairment of prepaid land premiums	—	—	5,886	—	—	—	5,886	—
Amortisation of goodwill	—	677	—	—	—	—	—	677

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	Mainland China		Countries other than Mainland China		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Segment revenue:								
Sales to external customers	**3,322,802**	2,910,794	**756,088**	467,276	**—**	—	**4,078,890**	3,378,070
Other segment information:								
Capital expenditure, including payments of land premiums	**2,164,970**	1,485,209	**—**	—	**—**	—	**2,164,970**	1,485,209
Depreciation	**221,773**	124,089	**—**	—	**—**	—	**221,773**	124,089
Impairment of property, plant and equipment	**244**	—	**—**	—	**—**	—	**244**	—
Amortisation of prepaid land premiums	**12,014**	2,013	**—**	—	**—**	—	**12,014**	2,013
Impairment of prepaid land premiums	**5,886**	—	**—**	—	**—**	—	**5,886**	—
Amortisation of goodwill	**—**	677	**—**	—	**—**	—	**—**	677

No segment assets and liabilities for geographical segments was disclosed since the aggregate balances for countries other than Mainland China were less than 10% of consolidated assets and liabilities.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

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

	2005 HK$'000	2004 HK$'000 (Restated)
Revenue		
Sale of goods	**4,078,890**	3,378,070
Other income		
Bank interest income	**12,421**	3,835
Net profit arising from sale of packing materials and by-products	**7,284**	15,914
Sale of utility	**3,417**	1,417
Others	**5,754**	2,068
	28,876	23,234
Gains		
Gain on disposal of items of property, plant and equipment	**73**	—
Other income and gains	**28,949**	23,234

6. PROFIT BEFORE TAX

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

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Cost of inventories sold		**2,163,786**	1,632,968
Depreciation	14	**221,773**	124,089
Impairment of property, plant and equipment	14	**244**	—
Impairment of prepaid land premiums	15	**5,886**	—
Amortisation of prepaid land premiums	15	**12,014**	2,013
Research and development costs		**5,965**	14,332
Goodwill:			
Amortisation for the year**	16	**—**	677
Auditors' remuneration		**5,163**	3,000
Employee's benefits expenses (excluding directors' remuneration (note 8)):			
Wages and salaries		**75,109**	52,387
Pension scheme contributions		**1,101**	177
		76,210	52,564
Loss on disposal of items of property, plant and equipment		**—**	4,124

** The amortisation of goodwill for the year are included in "Other expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
Interest on bank loans:		
Wholly repayable within five years	**121,409**	44,837
Repayable beyond five years	**429**	213
Interest on trust receipt loans, secured	**—**	45
Total interest	**121,838**	45,095
Finance cost for discounting notes receivable	**4,136**	—
	125,974	45,095
Less: Interest capitalised	**(36,868)**	(16,773)
	89,106	28,322

8. DIRECTORS' REMUNERATION

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

	Notes	Group 2005 HK$'000	Group 2004 HK$'000
Fees	(a)	**870**	690
Other emoluments:	(b)		
Basic salaries, housing benefits, other allowances and benefits in kind		**10,320**	10,290
Performance related bonuses		**10,000**	16,310
Pension scheme contributions		**48**	48
		20,368	26,648
		21,238	27,338

8. DIRECTORS' REMUNERATION (continued)

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, is entitled to a management bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2005, the aggregate amount of the bonuses payable to the executive directors was equivalent to 2% (2004: 2%) of the net profit from ordinary activities attributable to shareholders.

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

(a) Independent non-executive directors

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

	2005 HK$'000	2004 HK$'000
Mr. Chan Man Hon, Eric	**345**	345
Mr. Lee Yuen Kwong	**345**	345
Mr. Li Defa	**180**	—
	870	690

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005				
Executive directors:				
Mr. Liu Xiaoming	3,000	3,000	12	6,012
Mr. Kong Zhanpeng	2,160	2,000	12	4,172
Mr. Wang Tieguang	2,160	2,000	12	4,172
Mr. Xu Zhouwen	3,000	3,000	12	6,012
	10,320	10,000	48	20,368
2004				
Executive directors:				
Mr. Liu Xiaoming	2,970	4,741	12	7,723
Mr. Kong Zhanpeng	2,160	3,414	12	5,586
Mr. Wang Tieguang	2,160	3,414	12	5,586
Mr. Xu Zhouwen	3,000	4,741	12	7,753
	10,290	16,310	48	26,648

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

9. FIVE HIGHTEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,530**	1,200
Pension scheme contributions	**12**	—
	1,542	1,200

10. TAX

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

	2005 HK$'000	2004 HK$'000
Group:		
Current — Hong Kong	2,445	—
Current — Elsewhere	37,450	64,697
Tax rebate	—	(6,206)
Total tax charge for the year	39,895	58,491

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

Group — 2005

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(37,443)		617,677		580,234	
Tax at the statutory rate	(6,553)	17.5	203,833	33	197,280	34.0
Preferential statutory tax rate offered	—	—	(111,182)	(18)	(111,182)	(19.2)
Lower tax rate for tax relief granted	—	—	(64,238)	(10.4)	(64,238)	(11.1)
Income not subject to tax	(2,191)	5.9	—	—	(2,191)	(0.3)
Unrecognised tax losses	8,174	(21.8)	—	—	8,174	1.4
Expenses not deductible for tax	3,574	(9.6)	9,037	1.5	12,611	2.2
Tax losses utilised from previous periods	(559)	1.5	—	—	(559)	(0.1)
Tax charge at the Group's effective rate	2,445	(6.5)	37,450	6.1	39,895	6.9

10. TAX (continued)

Group — 2004

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	97,698		891,603		989,301	
Tax at the statutory rate	17,097	17.5	294,229	33.0	311,326	31.5
Preferential statutory tax rate offered	—	—	(139,982)	(15.7)	(139,982)	(14.1)
Lower tax rate for tax relief granted	—	—	(91,835)	(10.3)	(91,835)	(9.3)
Tax rebate	—	—	(6,206)	(0.7)	(6,206)	(0.6)
Income not subject to tax	(13,314)	(13.6)	—	—	(13,314)	(1.4)
Expenses not deductible for tax	419	0.4	2,524	0.3	2,943	0.3
Tax losses utilised from previous periods	(3,893)	(4.0)	—	—	(3,893)	(0.4)
Others	(300)	(0.3)	(248)	—	(548)	(0.1)
Tax charge at the Group's effective rate	9	—	58,482	6.6	58,491	5.9

All of the Group's subsidiaries operating in the PRC are exempt from PRC corporate 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.

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

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profit from ordinary activities attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company, was approximately HK$99,315,000 (2004: HK$110,381,000) (note 28(b)).

12. DIVIDENDS

	2005 HK$'000	2004 HK$'000
Interim — HK2 cents (2004: HK2.5 cents) per ordinary share	**46,377**	54,144
Proposed final — HK1.5 cents (2004: HK5 cents) per ordinary share	**34,783**	111,949
	81,160	166,093

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

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

The calculation of basic earnings per share is based on the consolidated net profit for the year attributable to ordinary equity holders of the Company of approximately HK$466,484,000 (2004: HK$815,451,000), and the weighted average number of 2,282,302,102 (2004: 2,098,801,983) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2005 was based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$466,484,000 (2004: HK$815,451,000) and on 2,303,785,758 (2004: 2,124,158,672) ordinary shares, being the weighted average number of 2,282,302,102 (2004: 2,098,801,983) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 21,483,656 (2004: 25,356,689) ordinary shares deemed to be issued at no consideration up to the date of the exercise of the share options during the year. In addition, as the exercise price of the warrants was higher than the average market price of the Company's ordinary shares during the year, no shares were assumed to have been issued on the deemed exercise of the Company's warrants during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2005					
At 31 December 2004 and at 1 January 2005:					
Cost or valuation	982,993	1,878,449	42,916	1,023,895	3,928,253
Accumulated depreciation	(12,260)	(327,981)	(21,548)	—	(361,789)
Net carrying amount	970,733	1,550,468	21,368	1,023,895	3,566,464
At 1 January 2005, net of accumulated depreciation	970,733	1,550,468	21,368	1,023,895	3,566,464
Additions	46,868	367,263	38,814	1,418,150	1,871,095
Acquisition of a minority shareholder (note 29)	—	—	713	—	713
Disposals	—	(889)	(70)	(2,657)	(3,616)
Surplus on revaluation	24,339	—	—	—	24,339
Impairment	(244)	—	—	—	(244)
Depreciation provided during the year	(33,929)	(172,745)	(15,099)	—	(221,773)
Transfers	525,964	394,459	—	(920,423)	—
Exchange realignment	25,940	45,809	595	28,768	101,112
At 31 December 2005, net of accumulated depreciation	1,559,671	2,184,365	46,321	1,547,733	5,338,090
At 31 December 2005:					
Cost or valuation	1,606,955	2,694,546	83,777	1,547,733	5,933,011
Accumulated depreciation and impairment	(47,284)	(510,181)	(37,456)	—	(594,921)
Net carrying amount	1,559,671	2,184,365	46,321	1,547,733	5,338,090
Analysis of cost or valuation:					
At cost	—	2,694,546	83,777	1,547,733	4,326,056
At 31 December 2005 valuation	1,606,955	—	—	—	1,606,955
	1,606,955	2,694,546	83,777	1,547,733	5,933,011

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold buildings HK$'000 (Restated)	Plant and machinery HK$'000 (Restated)	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000 (Restated)	Construction in progress HK$'000 (Restated)	Total HK$'000 (Restated)
31 December 2004					
At 31 December 2003 and at 1 January 2004:					
Cost or valuation	471,098	1,224,310	39,652	745,833	2,480,893
Accumulated depreciation	—	(220,868)	(21,979)	—	(242,847)
Net carrying amount	471,098	1,003,442	17,673	745,833	2,238,046
At 1 January 2004, net of accumulated depreciation	471,098	1,003,442	17,673	745,833	2,238,046
Additions	146	109,201	12,909	1,250,514	1,372,770
Acquisition of a subsidiary	42,917	36,169	915	5,552	85,553
Disposals	(481)	(1,786)	(3,549)	—	(5,816)
Depreciation provided during the year	(13,162)	(104,347)	(6,580)	—	(124,089)
Transfers	470,215	507,789	—	(978,004)	—
At 31 December 2004, net of accumulated depreciation	970,733	1,550,468	21,368	1,023,895	3,566,464
At 31 December 2004:					
Cost or valuation	982,993	1,878,449	42,916	1,023,895	3,928,253
Accumulated depreciation	(12,260)	(327,981)	(21,548)	—	(361,789)
Net carrying amount	970,733	1,550,468	21,368	1,023,895	3,566,464
Analysis of cost or valuation:					
At cost	672,318	1,878,449	42,916	1,023,895	3,617,578
At 31 December 2003 valuation	310,675	—	—	—	310,675
	982,993	1,878,449	42,916	1,023,895	3,928,253

Prior to its transfer to other categories of property, plant and equipment, the carrying amount of construction in progress included capitalised interest of approximately HK$36,868,000 (2004: HK$16,773,000).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2005, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, at approximately HK$1,606,955,000. A surplus on revaluation of approximately HK$24,339,000 arising from the above valuation had been credited to the assets revaluation reserve during the year ended 31 December 2005.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$1,480,453,000 (2004: HK$911,595,000).

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

At 31 December 2005, certain leasehold buildings of the Group with a carrying value of approximately HK$150,111,000 (2004: HK$150,555,000) and certain plant and machinery of the Group with an aggregate net book value of approximately HK$109,930,000 (2004: HK$123,150,000) were pledged to secure banking facilities granted to the Group (note 24).

15. PREPAID LAND PREMIUMS

	Group and Company	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 January		
As previously reported	**—**	—
Effect of adopting HKAS 17 (note 2.2(a))	**173,021**	143,475
As restated	**173,021**	143,475
Additions	**88,265**	12,687
Acquisition of a minority shareholder (note 29)	**264,736**	—
Acquisition of a subsidiary	**—**	18,872
Impairment	**(5,886)**	—
Amortised during the year	**(12,014)**	(2,013)
Exchange realignment	**4,284**	—
Carrying amount at 31 December	**512,406**	173,021
Current portion included in prepayments, deposits and other receivables	**(13,856)**	(2,013)
Non-current portion	**498,550**	171,008

16. GOODWILL

Group

	HK$'000
31 December 2005	
At 1 January 2005:	
Cost as previously reported	**46,377**
Effect of adopting HKFRS 3 (note 2.2(d))	**(1,015)**
Cost as restated	**45,362**
Accumulated amortisation as previously reported	**(1,015)**
Effect of adopting HKFRS 3 (note 2.2(d))	**1,015**
Accumulated amortisation as restated	**—**
Net carrying amount	**45,362**
Cost at 1 January 2005	**45,362**
Acquisition of a minority shareholder (note 29)	**6,066**
Addition (note 29)	**305,586**
Cost and carrying amount at 31 December 2005	**357,014**
At 31 December 2005:	
Cost	**357,014**
Accumulated impairment	**—**
Net carrying amount	**357,014**

16. GOODWILL (continued)

Group

	HK$'000
31 December 2004	
At 1 January 2004:	
Cost	13,538
Accumulated amortisation	(338)
Net carrying amount	13,200
Cost at 1 January 2004, net of accumulated amortisation	13,200
Acquisition of a subsidiary (note 29)	32,839
Amortisation provided during the year	(677)
At 31 December 2004	45,362
At 31 December 2004:	
Cost	46,377
Accumulated amortisation	(1,015)
Net carrying amount	45,362

Impairment testing of goodwill

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

- Changchun Dacheng Corn Development Co., Ltd.;
- Changchun Dacheng Starch Development Co., Ltd.;
- Changchun Jincheng Corn Development Co., Ltd.;
- Jinzhou Yuancheng Bio-chem Technology Co., Ltd.;
- Changchun Dihao Foodstuff Development Co., Ltd.;
- Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd.;
- Changchun Baocheng Bio-chem Development Co., Ltd.; and
- Changchun Dacheng Bio-chem Engineering Development Co., Ltd.

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. The discount rates applied to cash flow projections are 7%. No growth has been projected beyond the three-year period.

Key assumptions were used in the value in use calculation of the corn refined products and corn based bio-chemical products cash-generating units for 31 December 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local market from where raw materials are sourced. The values assigned to key assumptions are consistent with external information sources.

No impairment loss provision for carrying value of goodwill have been considered necessary by the management. We concurred with the management's view that no impairment on goodwill existed as at 31 December 2005.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**287,937**	287,937

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

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100	Trading of corn refined products and corn based biochemical products
Datex Investment Limited	Hong Kong	Ordinary HK$2	100	Investment holding
Global Polyol Investments Limited	Hong Kong	Ordinary HK$1,000	75	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd.*	PRC/Mainland China	US$12,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.*	PRC/Mainland China	RMB154,645,600	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.*	PRC/Mainland China	RMB153,940,000	100	Manufacture and sale of corn refined products
Changchun Dacheng Fermentation Technology Development Co., Ltd.**	PRC/Mainland China	US$2,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng New Polyol Development Co., Ltd.*	PRC/Mainland China	US$2,000,000	75	Manufacture and sale of corn based biochemical products
Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd.*	PRC/Mainland China	RMB99,250,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Starch Development Co., Ltd.*	PRC/Mainland China	RMB54,400,000	100	Manufacture and sale of corn refined products

continued/....

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows (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 Dahe Bio Technology Development Co., Ltd.**	PRC/Mainland China	US$11,672,000	100	Manufacture and sale of corn based biochemical products
Changchun Dihao Foodstuff Development Co., Ltd.*	PRC/Mainland China	RMB30,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Jincheng Corn Development Co., Ltd.*	PRC/Mainland China	RMB98,700,000	100	Manufacture and sale of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.**	PRC/Mainland China	US$6,000,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/Mainland China	US$12,659,400	100	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.**	PRC/Mainland China	US$2,668,000	100	Manufacture and sale of corn sweeteners
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")**/@	PRC/Mainland China	RMB193,000,000	100	Investment holding
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.**/@	PRC/Mainland China	HK$18,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chemical Development Co., Ltd.**/@	PRC/Mainland China	US$11,000,000	100	Manufacture and sale of corn based biochemical products

* Registered as cooperative joint ventures under the PRC laws.

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

@ Acquired/incorporated/established during the year.

17. INVESTMENTS IN SUBSIDIARIES (continued)

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

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A GROUP COMPANY

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Long term loan advanced to a jointly-controlled entity	**40,000**	40,000	**—**	—
Short term balance due from jointly-controlled entities	**9,113**	7,128	**79**	—
Due to a Group company	**20,000**	20,000	**—**	—

The long term loan was unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly-controlled entities, whenever is earlier.

The short term balance due from jointly-controlled entities is unsecured, interest-free and is repayable within one year.

The balances with jointly-controlled entities approximates to their fair value.

Since the Group has no legal right to offset the long term loan advanced to a jointly-controlled entity of HK$40,000,000 against the venturer's share of liability of that jointly-controlled entity as disclosed above as the balance due to a Group company of HK$20,000,000, the balance was not eliminated.

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A GROUP COMPANY (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited	Hong Kong	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd.	Mainland China	50	50	Manufacture and sale of high fructose corn syrup
Global-Nikken (H.K.) Company Limited	Hong Kong	51	50	Investment holding
Changchun Dacheng Nikken Polyols Co., Ltd.	Mainland China	51	50	Manufacture and sale of sorbitol products
Global Corn Chemical Investment Ltd.*	Hong Kong	81.25	81.25	Investment holding
Changchun GBT Bio-Chemical Co., Ltd.*	Mainland China	81.25	81.25	Manufacture and sale of corn based biochemical products

* Incorporated/established during the year. Since joint control was exercised over these entities, although a majority shareholding has been held by the Group, these entities are accounted for as jointly-controlled entities.

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

19. INVENTORIES

	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
Raw materials	**359,863**	599,205
Finished goods	**162,367**	60,125
	522,230	659,330

20. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Within 1 month	**198,744**	438,931
1 to 2 months	**58,039**	131,693
2 to 3 months	**21,625**	145,320
Over 3 months	**32,126**	86,655
	310,534	802,599

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Cash and bank balances	**2,016,135**	820,013	**740,525**	20,666
Time deposits	**50,289**	487,162	**—**	431,911
Cash and cash equivalents	**2,066,424**	1,307,175	**740,525**	452,577

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi amounted to HK$917,445,000 (2004: HK$734,936,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE PAYABLES

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

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

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Within 1 month	**185,521**	107,720
1 to 2 months	**31,981**	12,325
2 to 3 months	**23,279**	6,484
Over 3 months	**76,351**	24,577
	317,132	151,106

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%) per annum	Maturity	Group		Company	
			2005	2004	**2005**	2004
			HK$'000	HK$'000	**HK$'000**	HK$'000
				(Restated)		(Restated)
Current						
Bank loans — secured	4.65-6.138	2006	**1,349,196**	644,059	**—**	—
Bank loans — unsecured	LIBOR+0.88%	2006	**1,379,500**	303,972	**1,379,500**	303,972
Other loans — unsecured	—	2006	**4,465**	15,555	**—**	—
			2,733,161	963,586	**1,379,500**	303,972
Non-current						
Bank loans — secured	5.58-6.435	2007-2011	**329,482**	341,705	**—**	—
Bank loans — unsecured	—	—	**—**	310,000	**—**	310,000
			329,482	651,705	**—**	310,000
			3,062,643	1,615,291	**1,379,500**	613,972

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,728,696**	948,031	**1,379,500**	303,972
In the second year	**170,857**	324,072	**—**	310,000
In the third to fifth years, inclusive	**158,625**	320,940	**—**	—
Beyond five years	**—**	6,693	**—**	—
	3,058,178	1,599,736	**1,379,500**	613,972
Other borrowings repayable:				
Within one year or on demand	**4,465**	15,555	**—**	—
	3,062,643	1,615,291	**1,379,500**	613,972

On 22 September 2003, the Company accepted an offer under the loan facilities offered by a syndicate of banks and financial institutions for a term loan facility of the sum of US$80,000,000 and a revolving loan facility up to the aggregate principal amount of US$20,000,000 for a term of 36 and 35 months, respectively, both bearing interest at the London Interbank Offered Rate plus 1.5% per annum. As at 31 December 2004, US$80,000,000 (approximately equivalent to HK$620,000,000) of the syndicated loan were utilised. The amount were fully repaid in the current year.

On 2 September 2005, the Company accepted an offer under the loan facilities offered by a syndicate of banks and financial institutions for a term loan facility of the sum of US$120,000,000 and a revolving loan facility up to the aggregate principal amount of US$60,000,000 for a term of 36 and 35 months, respectively, both bearing interest at the London Interbank Offered Rate plus 0.88% per annum. During the year ended 31 December 2005, US$180,000,000 (approximately equivalent to HK$1,395,000,000) of the syndicated loan were drawn down. The first instalment of the syndicated loan will be due on 2 March 2007. A termination event will arise if (i) certain existing executive directors and Mr. Au Chun Fat, one of the founders who is also an ex-director of the Company, cease to own beneficially, directly or indirectly, at least 30% of the shares in the Company's issued share capital; and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement.

At the balance sheet date and subsequent to the balance sheet date, the Group breached certain financial covenants with respect to (ii) above. Accordingly, the whole amount of the loan balance amounting to approximately HK$1,395,000,000 has been reclassified as a current liability at the balance sheet date. The directors have taken action to rectify the iteration, details of which have been disclosed in note 2.1.

The Group's other loans are advanced by a (2004: one) former shareholder of Jinzhou Yuancheng. These loans are unsecured, interest-free and are repayable on demand.

24. BANKING FACILITIES

At 31 December 2005, the Group's banking facilities, including term loans, mortgage loan and other general facilities, were secured by the following:

(i) fixed charges on certain prepaid land premiums and leasehold buildings amounting to approximately HK$150,111,000 (2004: HK$150,555,000) and certain plant and machinery of the Group with an aggregate net book value of approximately HK$109,930,000 (2004: HK$123,150,000) (note 14); and

(ii) corporate guarantees of approximately HK$1,161,739,000 (2004: HK$1,635,978,000) and approximately HK$804,327,000 (2004: HK$317,996,000) given by the Company and the subsidiaries of the Company, respectively.

25. DEFERRED TAX

At 31 December 2005, the Group provided for deferred tax liabilities of approximately HK$14,850,000 (2004: HK$10,591,000) arising from the revaluation of leasehold buildings. Deferred tax of HK$4,259,000 has been charged to the asset revaluation reserve of the Group.

The Group had tax losses arising in Hong Kong of approximately HK$1,180,000 (2004: HK$8,341,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. In the opinion of the directors, deferred tax assets have not been recognised as the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses.

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

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

26. SHARE CAPITAL

Shares	2005 HK$'000	2004 HK$'000
Authorised: 10,000,000,000 (2004: 10,000,000000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid: 2,318,835,552 (2004: 2,238,986,700) ordinary shares of HK$0.10 each	**231,884**	223,899

26. SHARE CAPITAL (continued)

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

	Notes	Number of shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
As at 31 December 2003 and 1 January 2004		2,010,185	201,019	1,038,451	1,239,470
Share options exercised		78,800	7,880	114,736	122,616
Warrants exercised		2	—	15	15
Share subscription and placement		150,000	15,000	840,000	855,000
		228,802	22,880	954,751	977,631
Share issue expenses		—	—	(25,189)	(25,189)
As at 31 December 2004		2,238,987	223,899	1,968,013	2,191,912
As at 31 December 2004 and 1 January 2005		2,238,987	223,899	1,968,013	2,191,912
Share options exercised	(a)	79,849	7,985	139,490	147,475
Warrants exercised	(b)	—	—	1	1
Share subscription and placement		—	—	301	301
		79,849	7,985	139,792	147,777
Share issue expenses		—	—	—	—
As at 31 December 2005		2,318,836	231,884	2,107,805	2,339,689

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

(a) The subscription rights attaching to 32,428,800 and 47,420,000 share options were exercised at the subscription prices of HK$1.316 and HK$2.21 per share (note 27), respectively, resulting in the issue of 79,848,800 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$147,475,000.

(b) 52 shares of HK$0.1 each were issued for cash at a subscription price of HK$9.8 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$510.

Share options

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

26. SHARE CAPITAL (continued)

Warrants

On 30 March 2004, the Company granted one bonus warrant for every eight ordinary shares of HK$0.10 each in the share capital of the Company, to the shareholders whose names appear on the register of members of the Company on 4 May 2004 (the "Record Day"). On the Record Day, the Company had 2,086,985,200 shares in issue, and accordingly, 260,873,150 bonus warrants will be issued.

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

During the year, 52 warrants were exercised for 52 shares of HK$0.1 each at a subscription price of HK$9.8 per share. At the balance sheet date, the Company had 260,871,598 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 260,871,598 additional shares of HK$0.1 each.

Share subscription and placement

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

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

27. SHARE OPTION SCHEME

The Company operates 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 directors of its subsidiaries, but not any non-executive directors. The SO Scheme became effective on 12 March 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

27. SHARE OPTION SCHEME (continued)

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

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

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

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

During the year, no additional share options were granted.

The following table shows the movements of share options during the year:

Category or name of participant	Number of share options At 1 January 2005*	Exercised during the year	At 31 December 2005	Date of grant of share options**	Exercise period of share options	Exercise price of share options*** HK$	Price of Company's shares**** At grant date of options HK$	At exercise date of options HK$
Directors								
Mr. Liu Xiaoming	4,745,600	(4,745,600)	—	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	3.15
Mr. Xu Zhouwen	13,040,000	(13,040,000)	—	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	3.15
Mr. Kong Zhanpeng	4,745,600	(4,745,600)	—	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	3.15
Mr. Wang Tieguang	4,745,600	(4,745,600)	—	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	3.15
	27,276,800	(27,276,800)	—					
Other employees								
In aggregate	5,152,000	(5,152,000)	—	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	3.15
	32,428,800	(32,428,800)	—					

27. 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$1.58 to HK$1.316 per share.

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

The 32,428,800 share options exercised during the year resulted in the issue of 32,428,800 ordinary shares of the Company and new share capital of HK$3,242,880 and share premium of approximately HK$39,433,000 (before issue expenses), as detailed in note 26 to the financial statements.

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 exercise price# '000
At beginning of year	32,429
Exercised during the year	(32,429)
At the end of year	—

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

At the balance sheet date, there was no share options outstanding under the SO Scheme.

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

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

27. SHARE OPTION SCHEME (continued)

	Number of share options to subscribe for ordinary shares '000
At beginning of year	47,420
Exercised during the year	(47,420)
At the end of year	—

During the year, 47,420,000 share options were exercised at a subscription price of HK$2.21 per share, resulting in the issue of 47,420,000 new ordinary shares in the Company at a total consideration of HK$104,798,000. The price of the Company's shares as at the date of the exercise of the share options was HK$5.2 per share which was the Stock Exchange closing price on the trading day immediately prior to the date of the exercise of the share options.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38.

28. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2004		1,038,451	63,409	1,101,860
Share subscription and placement	26	954,751	—	954,751
Share issue expenses	26	(25,189)	—	(25,189)
Net profit for the year		—	110,381	110,381
Interim 2004 dividend	12	—	(54,144)	(54,144)
Proposed final 2004 dividend	12	—	(111,949)	(111,949)
At 31 December 2004 and 1 January 2005		1,968,013	7,697	1,975,710
Share subscription and placement	26	139,792	—	139,792
Net profit for the year		—	99,315	99,315
Final 2004 dividend declared		—	(2,470)	(2,470)
Interim 2005 dividend	12	—	(46,377)	(46,377)
Proposed final 2005 dividend	12	—	(34,783)	(34,783)
At 31 December 2005		2,107,805	23,382	2,131,187

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of the Company's shares on the Main Board of the Stock Exchange in prior years, over the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the new issue during the year; (iii) the premium arising from the capitalisation issue in prior years; and (iv) the premium arising from the placing and subscriptions of new ordinary shares in prior years.

The share premium account of the Company includes: (i) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of the Company's shares on the Main Board of the Stock Exchange in prior years, over the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the new issue during the year; (iii) the premium arising from the capitalisation issue in prior years; and (iv) the premium arising from the placing and subscriptions of new ordinary shares in prior years.

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

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a minority shareholder/subsidiary

Year ended 31 December 2005

On 29 June 2005, Global Corn Investments Limited ("Global Corn"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with the then shareholders of Dacheng Industrial, a company registered in the PRC, to acquire the entire equity interest therein at a total consideration of HK$900 million in cash. Dacheng Industrial's principal activity is investment holding and is the minority shareholder of certain of the Group's subsidiaries. Dacheng Industrial also owned other assets.

The fair values of the identifiable assets and liabilities, except for minority interests which were stated at carrying amount, of Dacheng Industrial as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Net assets acquired:			
Minority interests, at carrying amount		**530,717**	**530,717**
Property, plant and equipment	14	**713**	**713**
Prepaid land premiums	15	**264,736**	**192,498**
Goodwill	16	**6,066**	**6,066**
Prepayments and other receivables		**22,130**	**22,130**
Cash and cash equivalents		**88,210**	**88,210**
Other payables		**(11,605)**	**(11,605)**
Balances with group companies		**(229,630)**	**(229,630)**
Interest-bearing bank loans		**(76,923)**	**(76,923)**
		594,414	**522,176**
Goodwill on acquisition	16	**305,586**	
Satisfied by:			
Cash		**900,000**	

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

Acquisition of a minority shareholder/subsidiary (continued)

Year ended 31 December 2005 (continued)

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

	2005 HK$'000
Cash consideration	**(900,000)**
Consideration remained payable at 31 December 2005	**630,000**
Cash and cash equivalents acquired	**88,210**
Net outflow of cash and cash equivalents in respect of the acquisition of a minority shareholder/subsidiary	**(181,790)**

Goodwill was arisen from the acquisition of Dacheng Industrial which represented the residual value of the consideration over (i) the carrying amount of minority interests in relation to the Group's subsidiaries owned by Dacheng Industrial and (ii) the fair value of Dacheng Industrial's assets including the prepaid land premiums and other financial assets less liabilities, at the date of acquisition. Goodwill of HK$305,586,000 has been recognised as a non-current asset on the Group's consolidated balance sheet (see note 16).

Year ended 31 December 2004

On 23 September 2004, the Group entered into an agreement to acquire a 75% equity interest in Changchun Dihao Foodstuff Development Co., Ltd. ("Dihao Foodstuff"). Dihao Foodstuff is engaged in the manufacture and sale of corn sweeteners. The aggregate purchase consideration for the acquisition was in the form of cash which amounted to HK$127,500,000.

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

Acquisition of a minority shareholder/subsidiary (continued)

Year ended 31 December 2004 (continued)

The fair values of the identifiable assets and liabilities of Dihao Foodstuff as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Net assets acquired:			
Minority interests, at carrying amount		(31,553)	(31,553)
Property, plant and equipment	14	85,553	85,553
Prepaid land premiums	15	18,872	18,872
Inventories		12,901	12,901
Trade receivables		11,610	11,610
Prepayments and other receivables		9,467	9,467
Cash and cash equivalents		34,113	34,113
Trade payables		(27,853)	(27,853)
Other payables		(7,141)	(7,141)
Interest-bearing bank loans		(11,308)	(11,308)
		94,661	94,661
Goodwill on acquisition	16	32,839	
Satisfied by:			
Cash		127,500	

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

	2004 HK$'000
Cash consideration	(127,500)
Cash and cash equivalents acquired	34,113
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(93,387)

30. CONTINGENT LIABILITIES

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

At 31 December 2005, the banking facilities granted to the Company's subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$888,687,000 (2004: HK$860,978,000).

At 31 December 2005, the Company provided a guarantee to certain jointly-controlled entities in favour of the bank for banking facilities granted to those jointly-controlled entities. At the balance sheet date, these jointly-controlled entities utilised the banking facilities to the extent of approximately HK$11,625,000 (2004: HK$11,625,000).

31. COMMITMENTS

At 31 December 2005, the Group had capital commitments as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
Land premiums and leasehold buildings	**168,292**	236,565
Plant and machinery	**688,639**	142,930
	856,931	379,495
Authorised, but not contracted for:		
Capital contributions payable to subsidiaries	**201,500**	288,600
	1,058,431	668,095

The Company did not have any significant commitments as at 31 December 2005.

32. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	**2005** **HK$'000**	2004 HK$'000 (Restated)
Sales of corn starch to a jointly-controlled entity	(a)	**26,078**	24,071
Sales of corn sweeteners to a jointly-controlled entity	(a)	**5,132**	—
Utility costs charged to jointly-controlled entities	(b)	**5,120**	2,989
Purchase of a piece of land from Dacheng Industrial	(c)	**16,278**	13,875
Sales of lysine to Cargill, Incorporated and its subsidiary	(d)	**8,780**	—
Sales of goods to Mitsui & Co., Ltd. and its subsidiaries	(e)	**22,639**	12,171

32. RELATED PARTY TRANSACTIONS (continued)

(i) Transactions with related parties (continued)

Notes:

(a) The sales were made at prices which are comparable to the prices offered to other customers of the Group.

(b) The utility costs were charged based on the actual costs incurred.

(c) The Group, Mitsui-Tokyo, Mitsui-HK and Nikken have also entered into a provisional land acquisition agreement with Dacheng Industrial, at a cash consideration of RMB17,417,000 (equivalent to approximately HK$16,278,000) (2004: RMB14,707,000, equivalent to approximately HK$13,875,000) to purchase a piece of land for the construction of the sorbitol plant.

(d) Cargill, Incorporated is the joint venture partner of Global Bio-chem Cargill Limited in which the Group effectively held a 50% equity interest. The transactions were made at prices mutually agreed between the parties.

(e) Mitsui & Co., Ltd. is the joint venture partner of Global Nikken (H.K.) Company Limited in which the Group effectively held a 51% equity interest. The transactions were made at prices mutually agreed between the parties.

(ii) Other related party transactions

(a) The Group issued guarantees to secure a jointly-controlled entity for its bank loans with maximum amount of HK$15,113,000 (2004: HK$15,113,000). At 31 December 2005, HK$11,625,000 were utilised by this jointly-controlled entity (2004: HK$11,625,000).

(b) On 29 June 2005, Global Corn Investments Limited, a wholly-owned subsidiary of the Group, entered into an acquisition agreement to acquire the entire equity interest in Dacheng Industrial at a total consideration of HK$900 million in cash (as detailed in notes 16 and 29 to the financial statements).

(c) In the prior year, a corporate guarantee was given by Dacheng Industrial to secure a subsidiary's bank loan of a maximum amount of HK$37,383,000. At 31 December 2004, HK$37,383,000 were utilised by a subsidiary of the Group. The amount was fully repaid during the year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Cash flow interest rate risk

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

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currency. Approximately 19% (2004: 14%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

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

34. POST BALANCE SHEET EVENTS

On 20 April 2006, the Company proposed to declare a final dividend of HK1.5 cents per ordinary share in respect of the year, to shareholders whose names appear on the register of members on 22 May 2006, as detailed in note 12 to the financial statements.

35. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2006.

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amount for each year in the five year financial summary have been adjusted for the effect of the retrospective changes in accounting policy, as detailed in note 2.2 to the financial statements.

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
REVENUE	**4,078,890**	3,378,070	2,337,943	1,657,312	1,385,808
Cost of sales	**(3,027,532)**	(2,076,404)	(1,472,475)	(1,006,517)	(829,461)
Gross profit	**1,051,358**	1,301,666	865,468	650,795	556,347
Other income and gains	**28,949**	23,234	15,957	8,343	12,985
Selling and distribution costs	**(277,451)**	(164,336)	(98,111)	(47,116)	(44,491)
Administrative expenses	**(118,056)**	(125,232)	(94,728)	(73,713)	(64,852)
Other expenses	**(15,460)**	(17,709)	(28,458)	(26,245)	(20,364)
Finance costs	**(89,106)**	(28,322)	(23,874)	(14,556)	(34,495)
Share of profits and losses of jointly-controlled entities	**—**	—	—	(1,691)	(506)
PROFIT BEFORE TAX	**580,234**	989,301	636,254	495,817	404,624
Tax	**(39,895)**	(58,491)	(42,914)	(35,615)	(23,234)
PROFIT FOR THE YEAR	**540,339**	930,810	593,340	460,202	381,390
Attributable to:					
Equity holders of the Company	**466,484**	815,451	520,772	405,095	330,078
Minority interests	**73,855**	115,359	72,568	55,107	51,312
	540,339	930,810	593,340	460,202	381,390
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**9,402,985**	6,835,295	4,231,716	2,733,098	2,028,575
TOTAL LIABILITIES	**(4,664,413)**	(2,244,068)	(1,418,228)	(678,311)	(402,187)
MINORITY INTERESTS	**—**	(456,862)	(316,829)	(200,703)	(202,340)
	4,738,572	4,134,365	2,496,659	1,854,084	1,424,048

Board of Directors

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

* *Audit Committee Members*

Company Secretary

Cheung Chak Fung, ACCA

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Certified Public Accountants
18/F Two International Finance Centre
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Central
Hong Kong

Legal Advisers

Chiu & Partners
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Central
Hong Kong

Principal Bankers

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Corporation Limited
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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
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Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

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Wanchai
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Website

www.globalbiochem.com

Stock Code: 0809

Key Dates

Closure of register of members:
19 May 2006 to 22 May 2006
(both days inclusive)
Annual general meeting:
22 May 2006
Date of payment of final dividend:
13 June 2006