

Report of the Directors

The directors herein present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (“the Company”) for the period from 18 May 2000 (date of incorporation) to 31 December 2000. The audited financial statements for the year ended 31 December 2000 include supplementary pro forma combined financial statements of the Company and its subsidiaries (collectively referred to as the “Group”), which was legally formed subsequent to 31 December 2000.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 May 2000 under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 1 March 2001. Further details of the Group reorganisation and the subsidiaries acquired pursuant thereto are set out in notes 1, 12 and 19 to the financial statements.

Subsequent to the balance sheet date, on 16 March 2001, pursuant to the Company’s initial public offering, the shares of the Company were listed on the Stock Exchange.

In order to apprise the Company’s shareholders of the pro forma combined financial results and position of the Group, should the Group have been in existence throughout the years ended 31 December 1999 and 2000, supplementary financial information comprising supplementary pro forma combined profit and loss account, statement of recognised gains and losses, balance sheet and cash flow statement are included in this annual report. The basis of preparing the aforesaid supplementary financial information, which is detailed in note 1 to the financial statements, has also been applied for presenting the information referring to the Group in this report of the directors.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 12 to the financial statements. There were no changes in the nature of the Group’s principal activities during the year.

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SEGMENTAL INFORMATION

An analysis of the Group's pro forma combined turnover and contribution to profit from operating activities by principal activity and geographical area for the year ended 31 December 2000 is as follows:

	Turnover		Contribution to profit from operating activities	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacture and sale of:				
Corn refined products	858,382	897,770	156,225	123,462
Corn based biochemical products	349,644	149,140	160,458	42,239
	1,208,026	1,046,910	316,683	165,701
By geographical area:				
The People's Republic of China (the "PRC")	1,130,519	1,017,679	305,654	162,561
Other Asian countries	77,507	29,231	11,029	3,140
	1,208,026	1,046,910	316,683	165,701

RESULTS AND DIVIDENDS

The Group's pro forma combined profit for the year ended 31 December 2000 and its pro forma combined state of affairs as at that date, together with the state of affairs of the Company as at 31 December 2000, are set out in the financial statements on pages 34 to 60.

The directors do not recommend the payment of any dividend in respect of the period.

FIXED ASSETS

Details of the movements in the Group's fixed assets are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 12 to the financial statements.

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BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in notes 16, 17 and 18 to the financial statements.

INTEREST CAPITALISED

Interest of approximately HK\$403,000 (1999: HK\$1,650,000) was capitalised during the year in respect of the Group's construction in progress.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital since 18 May 2000 (date of incorporation), together with the reasons therefor, and details of the Company's share option scheme are set out in note 19 to the financial statements.

RESERVES

Details of the movements in the Group's reserves are set out in note 20 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company did not have any distributable reserves.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the total pro forma combined turnover and purchases for the year, respectively.

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

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DIRECTORS

The directors of the Company since 18 May 2000 (date of incorporation) and up to the date of this report were as follows:

Executive directors

Mr. Liu Xiaoming	(appointed on 18 May 2000)
Mr. Kong Zhanpeng	(appointed on 18 May 2000)
Mr. Au Chun Fat	(appointed on 22 September 2000)
Mr. Wang Tieguaang	(appointed on 22 September 2000)

Independent non-executive directors

Mr. Lee Yuen Kwong	(appointed on 22 September 2000)
Mr. Chan Man Hon, Eric	(appointed on 1 November 2000)

In accordance with article 108A of the Company's articles of association, Mr. Au Chun Fat will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is currently appointed for a term of two years commencing from 1 March 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 to 25 of the annual report.

EMOLUMENTS OF DIRECTORS AND SIX HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors of the Company and the six highest paid employees of the Group are set out in note 6 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's costs charged to the profit and loss account for the year are set out in notes 3 and 5 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 1 March 2001, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

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DIRECTORS' SERVICE CONTRACTS (continued)

Save as disclosed above, 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 other than the statutory compensation.

DIRECTORS' INTERESTS IN SHARES

Subsequent to the balance sheet date, on 16 March 2001, the Company was listed on the Stock Exchange. Accordingly, at the date of this report, the interests of the directors in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were set out below:

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

Notes:

1. These shares are owned by LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.
2. These shares are owned by Hartington Profits Limited, a company incorporated in the BVI. Mr. Au Chun Fat and Mr. Kong Zhanpeng, each beneficially owns 50% of the issued share capital of Hartington Profits Limited. Accordingly, Mr. Au Chun Fat and Mr. Kong Zhanpeng are deemed to be interested in all of the shares held by Hartington Profits Limited.
3. These shares are owned by In-depth Profits Limited, a company incorporated in the BVI. The entire issued share capital of In-depth Profits Limited is beneficially owned by Mr. Au Chun Fat.

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

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 1 March 2001, the directors of the Company may, at their discretion, grant options to the employees, including executive directors of the Company and their subsidiaries to subscribe for shares of the Company. Further details of the Scheme are set out in note 19 to the financial statements. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 16 March 2001. To the date of this report, no options have been granted to any director or employee under the Scheme.

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

DIRECTORS' INTERESTS IN CONTRACTS

Other than in connection with the Group reorganisation in preparation for the Company's initial public offering, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

At the date of this report, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

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

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

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

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CONNECTED TRANSACTIONS

Details of the disclosable connected transactions for the year are set out in note 24 to the financial statements. Save as disclosed therein, there were no other transactions needed to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on the Main Board of the Stock Exchange on 16 March 2001. Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 25 to the financial statements.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company established an audit committee (the "Committee") on 1 March 2001, with written terms of reference for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control systems of the Group. The Committee comprises two independent non-executive directors of the Company, namely, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric. The Group's supplementary pro forma combined financial statements for the year and the Company's financial statements for the period from 18 May 2000 (date of incorporation) to 31 December 2000 have been reviewed by the Committee, who was of the opinion that such statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

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

ON BEHALF OF THE BOARD

Liu Xiaoming

Chairman

Hong Kong

24 April 2001