

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2003.

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 16 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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 71.

An interim dividend of HK2.0 cents per ordinary share was paid on 22 October 2003. The directors of the Company recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year, and the grant of one bonus warrant for every eight ordinary shares held, to shareholders whose names appear on the register of members on 4 May 2004. This recommendation of the payment of a final dividend has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets, liabilities and minority interests of the Group for the five years ended 31 December 2003, prepared on the bases set out in the accompanying notes:

Results

	Year ended 31 December				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2,329,819	1,657,312	1,385,808	1,208,026	1,046,910
PROFIT FROM OPERATING ACTIVITIES	662,371	512,064	439,625	316,683	165,701
Finance costs	(23,873)	(14,556)	(34,495)	(35,947)	(23,812)
Share of profit of an associate	—	—	—	—	5,526
Share of losses of jointly-controlled entities	(2,244)	(1,691)	(506)	—	—
PROFIT BEFORE TAX	636,254	495,817	404,624	280,736	147,415
Tax	(42,914)	(35,615)	(23,234)	(14,227)	(174)
PROFIT BEFORE MINORITY INTERESTS	593,340	460,202	381,390	266,509	147,241
Minority interests	(72,568)	(55,107)	(51,312)	(36,341)	(34,483)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	520,772	405,095	330,078	230,168	112,758

SUMMARY FINANCIAL INFORMATION (continued)**Assets, liabilities and minority interests**

	At 31 December				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	2,572,285	1,604,800	1,150,053	694,295	575,366
CURRENT ASSETS	1,656,158	1,128,298	878,522	499,306	331,896
TOTAL ASSETS	4,228,443	2,733,098	2,028,575	1,193,601	907,262
CURRENT LIABILITIES	780,309	547,422	343,361	357,453	297,657
NON-CURRENT LIABILITIES	634,645	130,889	58,826	296,729	348,229
TOTAL LIABILITIES	1,414,954	678,311	402,187	654,182	645,886
MINORITY INTERESTS	316,829	200,703	202,340	172,382	130,658
NET ASSETS	2,496,660	1,854,084	1,424,048	367,037	130,718

Notes:

1. The summaries of the combined results of the Group for the year ended 31 December 1999 have been extracted from the Company's prospectus dated 7 March 2001, and the results of the Group for the years ended 31 December 2000, 2001, 2002 and 2003 have been extracted from the Company's respective published audited financial statements. Such summaries were prepared from the audited financial statements of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout these financial years and were prepared using the merger basis of accounting as a result of the Group reorganisation completed on 1 March 2001. The Group reorganisation involved companies under common control. Under this basis, the Company has been treated as the holding company of its subsidiaries pursuant to the Group reorganisation for the financial years presented, rather than from the date of acquisition of the subsidiaries. Accordingly, the combined results of the Group for each of the year ended 31 December 1999, 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 January 1999, 2000 and 2001, respectively, or since their respective dates of incorporation/establishment, where this is a shorter period.
2. The Group's combined balance sheet as at 31 December 1999 has been extracted from the Company's prospectus dated 7 March 2001. The consolidated balance sheets of the Group as at 31 December 2000, 2001, 2002 and 2003 have been extracted from the respective published audited financial statements which were prepared on the basis as if the Group had been in existence as at 31 December 1999 and 2000.

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company had distributable reserves of approximately HK\$1,152,115,000 of which approximately HK\$50,255,000 has been proposed as a final dividend for the year. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands, the share premium account of the Company of approximately HK\$1,038,451,000 as at 31 December 2003 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 its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, 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 turnover and purchases for the year, respectively.

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

DIRECTORS

The directors 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

In accordance with the Company's articles of association, Mr. Patrick E Bowe will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is appointed for a term of two years commencing on 1 March 2003.

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 15 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Xiaoming, Mr. Kong Zhanpeng and Mr. Wang Tieguang have entered into service contracts with the Company for an initial term of three years commencing on 1 March 2001.

Mr. Xu Zhouwen has entered into a service contract with the Company for an initial term commencing from 21 August 2001 to 29 February 2004.

Subsequent to the balance sheet date, on 1 March 2004, the service contracts with Mr. Liu Xiaoming, Mr. Xu Zhouwen, Mr. Kong Zhanpeng and Mr. Wang Tieguang were renewed for terms of three years commencing on 1 March 2004, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the share capital 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 Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Number of Shares held, capacity and nature of interest		Total	Percentage of the Company's issued shares capital
		Directly beneficially owned	Through controlled corporation		
Mr. Liu Xiaoming	1	8,890,400	345,600,000	354,490,400	17.6%
Mr. Xu Zhouwen	2	—	211,040,000	211,040,000	10.5%
Mr. Kong Zhanpeng	3	8,294,400	172,800,000	181,094,400	9.0%
Mr. Wang Tieguang	4	4,147,200	172,800,000	176,947,200	8.8%
		21,332,000	902,240,000	923,572,000	45.9%

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.

Notes:

- 345,600,000 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.
- 211,040,000 shares are owned by 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.
- 172,800,000 shares are owned by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.
- 172,800,000 shares are owned by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above and in note 27 to the financial statements, none of the directors and chief executive of the Company had registered an interest or short position in the shares or underlying shares 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 Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed 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 chief executive of the Company or to any person in whose shares and debentures any director or chief executive of the Company is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executive of the Company to acquire such rights in any other body corporate.

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

So far as is known to the directors of the Company, as at 31 December 2003, the following person (other than the directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	<i>Notes</i>	Number of Shares held	Percentage of the Company's issued shares capital
LXM Limited	1	345,600,000	17.2%
Crown Asia Profits Limited	2	211,040,000	10.5%
Hartington Profits Limited	3	172,800,000	8.6%
Rich Mark Profits Limited	4	172,800,000	8.6%
J.P. Morgan Chase & Co.		222,671,461	11.1%
J.P. Morgan Fleming Asset Management Holdings Inc.		167,778,800	8.3%
J.P. Morgan Fleming Asset Management (Asia) Inc.		167,778,800	8.3%
JF Asset Management Limited		147,234,800	7.3%

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 Tiegung, an executive director of the Company.

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

RELATED PARTY AND CONNECTED TRANSACTIONS

Related party transactions, which fall within the definition stipulated in the Hong Kong Statement of Standard Accounting Practice No. 20 (“SSAP 20”) on “Related party disclosures”, undertaken by the Group during the year are set out in note 33 to the financial statements. The transactions included in note 33 to the financial statements also constitute connected transactions as defined under the Listing Rules.

In addition, pursuant to a provisional land acquisition agreement entered into by a wholly-owned subsidiary and Jinzhou Yuancheng Bio-chem Technology Co., Ltd., a 70% owned subsidiary, on 18 November 2003, the wholly-owned subsidiary will acquire a land use rights in relation to a parcel of land held by Jinzhou Yuancheng Bio-chem Technology Co., Ltd. for the purpose of constructing a glutamic acid plant as its production base at a consideration of RMB9 million.

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”).

The independent non-executive directors are of the opinion that the terms of the transactions as disclosed in note 33 to the financial statements are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions have been entered into by the Group in its ordinary and usual course of business and were carried out in accordance with the terms of the agreements governing such transactions.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no director of the Company was 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, within the meanings of 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.

PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with the disclosure requirements of paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the following disclosures are included in respect of the Company’s syndicated loan facility, which contains covenants requiring performance obligations of the controlling shareholders of the Company.

Pursuant to a syndicated loan facilities agreement dated 22 September 2003 entered into between the Company and a syndicate of banks and financial institutions, relating to a 36 months term loan facility of US\$80,000,000 and a 35 months revolving loan facility of US\$20,000,000, a termination event would occur if Mr. Au Chun Fat, one of the founders and senior counsellor of the Company, and certain existing directors of the Company, cease to own beneficially, directly or indirectly, at least 40% of the shares in the Company’s issued share capital.

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.

CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. Five audit committee meetings were held during the year prior to the date of this report.

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

Co-Chairman

Hong Kong

30 March 2004