

The directors present their report and the audited financial statements of Global Biochem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2004.

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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 97.

An interim dividend of HK2.5 cents per ordinary share was paid on 5 November 2004. The directors recommend the payment of a final dividend of HK5.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 18 May 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results and of the assets, liabilities and minority interests of the Group for the five years ended 31 December 2004, which have been extracted from the respective published audited financial statements.

Results

	Year ended 31 December				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	3,375,593	2,329,819	1,657,312	1,385,808	1,208,026
PROFIT FROM OPERATING ACTIVITIES	1,018,800	662,371	512,064	439,625	316,683
Finance costs	(28,029)	(23,873)	(14,556)	(34,495)	(35,947)
Share of losses of jointly-controlled entities	(1,479)	(2,244)	(1,691)	(506)	—
PROFIT BEFORE TAX	989,292	636,254	495,817	404,624	280,736
Tax	(58,482)	(42,914)	(35,615)	(23,234)	(14,227)
PROFIT BEFORE MINORITY INTERESTS	930,810	593,340	460,202	381,390	266,509
Minority interests	(115,359)	(72,568)	(55,107)	(51,312)	(36,341)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	815,451	520,772	405,095	330,078	230,168

SUMMARY FINANCIAL INFORMATION (continued)**Assets, Liabilities and Minority Interests**

	At 31 December				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	4,004,094	2,572,285	1,604,800	1,150,053	694,295
CURRENT ASSETS	2,840,790	1,656,158	1,128,298	878,522	499,306
TOTAL ASSETS	6,844,884	4,228,443	2,733,098	2,028,575	1,193,601
CURRENT LIABILITIES	1,552,936	780,309	547,422	343,361	357,453
NON-CURRENT LIABILITIES	668,053	634,645	130,889	58,826	296,729
TOTAL LIABILITIES	2,220,989	1,414,954	678,311	402,187	654,182
MINORITY INTERESTS	463,741	316,829	200,703	202,340	172,382
NET ASSETS	4,160,154	2,496,660	1,854,084	1,424,048	367,037

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 therefore, are set out in notes 26 and 27 to the financial statements, respectively.

Report of the Directors

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 2004, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Cap 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$2,097,659,000, of which approximately HK\$111,949,000 had been proposed as a final dividend for the year. The amount of approximately HK\$1,968,013,000 standing to the credit of the share premium account of the Company as at 31 December 2004 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$9,346,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover for the Year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

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 Tieguaung

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 (appointed on 16 September 2004)

In accordance with the Company's articles of association, Mr. Kong Zhanpeng and Mr. Wang Tieguaung will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Furthermore, Mr. Li Defa, who has been appointed as an additional director of the Company during the year, will hold office only until the forthcoming annual general meeting according to the Company's articles of association and being eligible, will offer himself 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 2003. 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, Eric and Mr. Li Defa who consider themselves to be independent.

Report of the Directors

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 19 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Xiaoming, Mr. Kong Zhanpeng, Mr. Wang Tiegung and Mr. Xu Zhouwen have renewed the service contracts with the Company for a term of three years which 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 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' 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. Details of the directors' fees are set out in note 7 to the financial statements.

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 2004, the interests and short positions of the directors and chief executive of the Company 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 (the "Model Code"), as set out in appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 share capital
		Directly beneficially owned	Through controlled corporation		
Mr. Liu Xiaoming	1	8,890,400	345,600,000	354,490,400	15.8
Mr. Xu Zhouwen	2	—	211,040,000	211,040,000	9.4
Mr. Kong Zhanpeng	3	8,294,400	172,800,000	181,094,400	8.1
Mr. Wang Tieguaog	4	4,147,200	172,800,000	176,947,200	7.9
		21,332,000	902,240,000	923,572,000	41.2

Report of the Directors

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

Warrants of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation		
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 Tieguaung	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.

Notes:

- 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.
- 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.
- 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.
- 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 Tieguaung.

Save as disclosed above, as at 31 December 2004, none of the directors 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" 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, or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

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

At 31 December 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of Company:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
LXM Limited	1	345,600,000	15.4%
Crown Asia Profits Limited	2	211,040,000	9.4%
FMR Corp		204,462,450	9.1%
Fidelity Management & Research Company		199,076,550	8.9%
J.P. Morgan Chase & Co		187,830,021	8.4%
Hartington Profits Limited	3	172,800,000	7.7%
Rich Mark Profits Limited	4	172,800,000	7.7%
J.P. Morgan Fleming Asset Management (Asia) Inc.		157,189,400	7.0%
J.P. Morgan Fleming Asset Management Holdings Inc.		157,189,400	7.0%
JF Asset Management Limited		141,536,150	6.3%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in ordinary shares of Company: (continued)

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, as at 31 December 2004, 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 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.

During the year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions

On 9 February 2004, Mitsui & Co., Ltd. and its subsidiaries (collectively "Mitsui Group") and one of the wholly owned subsidiaries of the Company as purchasers entered into a provisional land acquisition agreement with Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial") as vendor for the purchase of a piece of land (the "Purchase Transaction") which was to be used for the construction of a plant for the production of sorbitol products by Changchun Dacheng Nikken Polyols Co., Ltd. ("Dacheng Nikken"), one of the subsidiaries of the Company. Pursuant to the said provisional agreement, a formal agreement for the Purchase Transaction was entered into between Dacheng Nikken and Dacheng Industrial on 30 March 2005 pursuant to which Dacheng Nikken acquired the relevant piece of land at a cash consideration of approximately RMB17 million (equivalent to approximately HK\$ 16 million). Dacheng Industrial is a substantial shareholder of certain subsidiaries of the Company and the Purchase Transaction constitutes a connected transaction under the Listing Rules.

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 ended 31 December 2004, 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\$12 million. Mitsui & Co., Ltd., together with its subsidiaries, hold 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 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 2004. 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.

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RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

Save as disclosed therein, there were no other transactions needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DISCLOSURES PURSUANT TO RULES 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 the Company's syndicated loan facility, which contains covenants requiring performance obligations of the controlling shareholders of the Company.

Pursuant to a syndicated loan facility agreement dated 22 September 2003 entered into between the Company and a syndicate of banks and financial institutions, relating to a 36 month term loan facility of US\$80,000,000 and a 35 month revolving loan facility of US\$20,000,000, a termination event would arise if Mr. Au Chun Fat, one of the founders who is also an ex-director of the Company, and the 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.

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 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.

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 which were in force during the year, throughout the accounting period covered by the annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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.

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. Two audit committee meetings were held during the year prior to the date of this report.

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

Hong Kong

12 April 2005