1. CORPORATE INFORMATION

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

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

2. IMPACT OF RECENTLY ISSUED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

SSAP 36 "Agriculture" is effective for the first time for the current year's financial statements which prescribes the accounting treatment, financial statement presentation and disclosures relating to agricultural activity. Agricultural activity comprises an entity's management of the biological transformation of living animals or plants (biological assets) for sale, into either agricultural produce or into additional biological assets. This new SSAP has had no significant impact for the preparation of the consolidated financial statements.

In addition, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Revenue recognition

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

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

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

3. 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. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset.

Employee benefits

Employment Ordinance long service payments

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

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

Retirement benefits scheme

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

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in the retirement benefits schemes (the "PRC RB Schemes") operated by the respective local municipal government in provinces of the PRC 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 profit and loss account as they become payable in accordance with the rules of the PRC RB Schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share option scheme

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

Research and development costs

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

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

Dividends

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends (continued)

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

Impairment of assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Construction in progress represents leasehold buildings, plant and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises 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 fixed assets when completed and ready for use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. 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.

Subsidiaries

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

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

Joint venture companies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

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

A joint venture company is treated as:

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

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

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

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

Jointly-controlled entities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Inventories

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

Income tax

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

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.

3. 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, except 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 assets 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 assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative 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 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Foreign currencies

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

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

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

Related parties

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit and loss account.

Cash and cash equivalents

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

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

4. TURNOVER AND REVENUE

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

An analysis of turnover and other revenue and gains is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Turnover		
Sale of goods	**3,375,593**	2,329,819
Other revenue		
Interest income	**3,835**	1,720
Net profit arising on sales packing materials and by-products	**15,914**	9,436
Sale of utility	**1,417**	3,620
Others	**1,847**	1,033
	23,013	15,809

5. 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, amino acids and polyol products.

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.

5. 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 2004 and 2003.

Group

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**1,530,662**	1,330,771	**1,844,931**	999,048	**—**	—	**3,375,593**	2,329,819
Intersegment sales	**589,429**	369,479	**—**	63,088	**(589,429)**	(432,567)	**—**	—
Total revenue	**2,120,091**	1,700,250	**1,844,931**	1,062,136	**(589,429)**	(432,567)	**3,375,593**	2,329,819
Segment results	**344,752**	302,338	**702,705**	350,570	**—**	—	**1,047,457**	652,908
Unallocated revenue							**23,013**	15,809
Unallocated expenses							**(51,670)**	(6,346)
Profit from operating activities							**1,018,800**	662,371
Finance costs							**(28,029)**	(23,873)
Share of losses of jointly-controlled entities							**(1,479)**	(2,244)
Profit before tax							**989,292**	636,254
Tax							**(58,482)**	(42,914)
Profit before minority interests							**930,810**	593,340
Minority interests							**(115,359)**	(72,568)
Net profit from ordinary activities attributable to shareholders							**815,451**	520,772

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group (continued)

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,790,739**	2,338,274	**3,442,568**	1,723,430	**—**	—	**6,233,307**	4,061,704
Interests in jointly-controlled entities							**95,709**	46,312
Unallocated assets							**515,868**	120,427
Total assets							**6,844,884**	4,228,443
Segment liabilities	**248,786**	158,975	**244,819**	93,998	**—**	—	**493,605**	252,973
Unallocated liabilities							**1,727,384**	1,161,981
Total liabilities							**2,220,989**	1,414,954
Other segment information:								
Capital expenditure	**281,301**	174,927	**1,100,774**	540,469	**—**	—	**1,382,075**	715,396
Depreciation	**64,678**	54,013	**57,466**	34,754	**—**	—	**122,144**	88,767
Amortisation of goodwill	**677**	338	**—**	—	**—**	—	**677**	338

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and expenditure information for the Group's geographical segments.

Group

	Mainland China		Countries other than Mainland China		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**2,908,317**	2,168,814	**467,276**	161,005	**—**	—	**3,375,593**	2,329,819
Other segment information:								
Capital expenditure	**1,382,075**	715,396	**—**	—	**—**	—	**1,382,075**	715,396
Depreciation	**122,144**	88,767	**—**	—	**—**	—	**122,144**	88,767
Amortisation of goodwill	**677**	338	**—**	—	**—**	—	**677**	338

6. PROFIT FROM OPERATING ACTIVITIES

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

	2004 **HK$'000**	2003 HK$'000
Cost of inventories sold	**2,112,198**	1,425,671
Depreciation (note 13)	**122,144**	88,767
Amortisation of goodwill (note 14)*	**677**	338
Amortisation of fees incurred for the granting of banking facilities (note 17)**	**3,617**	1,205
Staff costs (excluding directors' remuneration — note 7):		
Wages and salaries	**52,387**	43,164
Performance related bonuses	**—**	6,750
Pension scheme contributions	**177**	246
	52,564	50,160
Auditors' remuneration	**3,000**	2,150
Research and development costs	**14,332**	20,408
Loss/(gain) on disposal of fixed assets	**4,124**	(424)

* The amortisation of goodwill for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

** The amortisation of fees incurred for the granting of banking facilities for the year are included in "Finance costs" on the face of the consolidated profit and loss account.

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors of the Company for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the ``Listing Rules'') on The Stock Exchange of Hong Kong Limited (the ``Stock Exchange'') and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Fees	**690**	600
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**10,290**	11,097
Performance related bonuses	**16,309**	10,600
Pension scheme contributions	**48**	48
	26,647	21,745
	27,337	22,345

The fees were payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors of the Company during the year (2003: Nil).

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 2004, the aggregate amount of the bonuses payable to the executive directors is equivalent to 2% (2003: 2%) of the net profit from ordinary activities attributable to shareholders.

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

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

	2004 Number of directors	2003 Number of directors
Nil–HK$1,000,000	**5**	4
HK$5,000,001–HK$5,500,000	**—**	2
HK$5,500,001–HK$6,000,000	**2**	2
HK$7,500,001–HK$8,000,000	**2**	—
	9	8

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

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

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

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

The five highest paid employees during the year include four (2003: four) directors, details of whose remuneration are disclosed above. Details of the remuneration of the remaining (2003: one) non-director, highest paid employee for the year, are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Basic salary, housing benefits, other allowances and benefits in kind	**1,200**	884
Performance related bonuses	**—**	1,350
Pension scheme contributions	**—**	12
	1,200	2,246

8. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	HK$'000
Interest on bank loans:		
Interest on trust receipt loans, secured	**45**	5
Wholly repayable within five years	**40,927**	34,798
Repayable beyond five years	**213**	358
	41,185	35,161
Amortisation of fees incurred for the granting of banking facilities (note 6)	**3,617**	1,205
	44,802	36,366
Less: Interest capitalised	**(16,773)**	(12,493)
	28,029	23,873

The interest capitalised during the year was calculated at a rate of approximately 1.7% (2003: 4.0%) per annum.

9. TAX

	Group	
	2004	2003
	HK$'000	HK$'000
Hong Kong:		
Underprovision in the prior year	**—**	35
Elsewhere:		
Current	**64,688**	42,879
Tax rebate	**(6,206)**	—
Tax charge for the year	**58,482**	42,914

No provision for Hong Kong profits tax has been made as the Group had tax losses brought forward from prior years to offset against the assessable profit arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during that year.

Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

All of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are exempt from PRC income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from the PRC income tax for the following three years.

During the year, two of the Group's PRC subsidiaries were granted a 33% relief from income tax for three years ending 31 December 2006. Accordingly, taxes on the assessable profits of these two PRC subsidiaries had been calculated at a lower applicable rate of tax during the year.

One of the Group's PRC subsidiaries was granted an extension of a 50% relief from income tax for one more year up to 31 December 2004. Accordingly, taxes on the assessable profits of this PRC subsidiary had been calculated at 50% of the applicable rates of tax prevailing in the PRC during the year.

9. TAX (continued)

Taxes on the assessable profits of another four PRC subsidiaries had been calculated at 50% of the applicable rates of tax prevailing in the PRC during the year, as their periods of exemption from income tax have not yet expired.

No provision for income tax has been made for two of the Group's PRC subsidiaries as it remains exempt from income tax for the first profitable year of its operations.

The remaining four PRC subsidiaries of the Group have not made any provision for income tax as they did not generate any assessable profits for the year.

During the year, certain of the above PRC subsidiaries were entitled to a tax rebate for corporate income tax because these PRC subsidiaries had fulfilled certain conditions for fixed assets expenditures as required by the relevant PRC tax authorities. Such tax rebate was credited to the profit and loss account for the year.

9. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries and jointly-controlled entities 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 — 2004

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	97,643		891,649		989,292	
Tax at the statutory tax rate	17,088	17.5	294,244	33.0	311,332	31.5
Preferential statutory tax rate offered*	—	—	(139,850)	(15.7)	(139,850)	(14.1)
Lower tax rate for tax relief granted	—	—	(92,324)	(10.3)	(92,324)	(9.4)
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	2,831	0.3	3,250	0.3
Tax losses utilised from previous periods	(3,893)	(4.0)	—	—	(3,893)	(0.4)
Others	(300)	(0.3)	(213)	(0.02)	(513)	(0.05)
Tax charge at the Group's effective rate	—	—	58,482	6.6	58,482	5.9

9. TAX (continued)

Group — 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(56,507)		692,761		636,254	
Tax at the statutory tax rate	(9,888)	17.5	228,611	33.0	218,723	34.4
Preferential statutory tax rate offered*	—	—	(121,262)	(17.5)	(121,262)	(19.1)
Lower tax rate for tax relief granted	—	—	(61,554)	(8.9)	(61,554)	(9.7)
Income not subject to tax	(136)	0.2	(4,123)	(0.6)	(4,259)	(0.7)
Expenses not deductible for tax	9,546	(16.9)	1,320	0.2	10,866	1.7
Underprovision in the prior year	35	(0.1)	—	—	35	—
Increase in tax losses carried forward	322	(0.5)	—	—	322	0.1
Others	156	(0.3)	(113)	—	43	—
Tax charge at the Group's effective rate	35	(0.1)	42,879	6.2	42,914	6.7

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

* Under the PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, certain of the Group's PRC subsidiaries are operating in specific development zones of Mainland China and have been granted as high-technology corporations in Mainland China, and the relevant tax authorities have granted the enterprises a preferential CIT rate of 15% and 10%, respectively. CIT is payable based on the taxable income as reported in the statutory accounts which are prepared in accordance with PRC accounting regulations.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was approximately HK$120,381,000 (2003: HK$126,474,000) (note 28).

11. DIVIDENDS

	2004 HK$'000	2003 HK$'000
Interim — HK2.5 cents (2003: HK2.0 cents) per ordinary share	**54,144**	40,510
Proposed final — HK5.0 cents (2003: HK2.5 cents) per ordinary share	**111,949**	50,255
	166,093	90,765

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.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$815,451,000 (2003: HK$520,772,000), and the weighted average number of 2,098,801,983 (2003: 1,963,138,555) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$815,451,000 (2003: HK$520,772,000) and on 2,124,158,672 (2003: 2,038,370,758) ordinary shares, being the weighted average number of 2,098,801,983 (2003: 1,963,138,555) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 25,356,689 (2003: 75,232,203) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all 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 deemed exercise of the Company's warrants during the year.

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2004	649,100	745,663	1,209,071	39,221	2,643,055
Additions	9,870	1,252,368	107,204	12,633	1,382,075
Acquisition of a subsidiary (note 29)	61,789	5,552	36,169	915	104,425
Disposals	(481)	—	(2,200)	(9,385)	(12,066)
Transfers	469,901	(977,622)	507,721	—	—
At 31 December 2004	1,190,179	1,025,961	1,857,965	43,384	4,117,489
Analysis of cost or valuation:					
At cost	541,079	1,025,961	1,857,965	43,384	3,468,389
At 2003 valuation	649,100	—	—	—	649,100
	1,190,179	1,025,961	1,857,965	43,384	4,117,489
Accumulated depreciation:					
At 1 January 2004	—	—	219,933	21,855	241,788
Provided during the year	16,679	—	99,084	6,381	122,144
Disposals	—	—	(414)	(5,836)	(6,250)
At 31 December 2004	16,679	—	318,603	22,400	357,682
Net book value:					
At 31 December 2004	1,173,500	1,025,961	1,539,362	20,984	3,759,807
At 31 December 2003	649,100	745,663	989,138	17,366	2,401,267

13. FIXED ASSETS (continued)

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

	Group	
	2004	2003
	HK$'000	HK$'000
At cost or valuation:		
Medium term leases in Hong Kong	**24,500**	25,000
Medium term leases outside Hong Kong	**1,165,679**	624,100
	1,190,179	649,100

At 31 December 2003, the Group's leasehold land and buildings in Hong Kong were revalued on an open market basis by Chesterton Petty Limited, an independent firm of professionally qualified valuers, at approximately HK$25,000,000. A surplus on revaluation of approximately HK$1,480,000 arising from the above valuation had been credited to the fixed assets revaluation reserve during the year ended 31 December 2003.

At 31 December 2003, the Group's leasehold land and buildings outside Hong Kong were revalued on a depreciated replacement cost basis, by Chesterton Petty Limited, at approximately HK$624,100,000. A surplus on revaluation of approximately HK$107,272,000 arising from the above valuation had been credited to the fixed assets revaluation reserve during the year ended 31 December 2003.

In the opinion of the directors, there were no material differences between the carrying value and the open market value of the Group's leasehold land and buildings as at 31 December 2004 and, accordingly, no revaluation has been performed as at that date.

Had the Group's leasehold land and buildings held in Hong Kong been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$22,874,000 (2003: HK$23,371,000).

13. FIXED ASSETS (continued)

Had the Group's leasehold land and buildings held outside Hong Kong (including those acquired during the year) been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$956,763,000 (2003: HK$507,023,000).

Prior to its transfer to other categories of fixed assets, the carrying amount of construction in progress included capitalised interest of approximately HK$29,266,000 (2003: HK$12,493,000).

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 2004, certain leasehold land and buildings of the Group with a carrying value of approximately HK$150,555,000 (2003: HK$141,971,000) and certain plant and machinery of the Group with an aggregate net book value of approximately HK$123,150,000 (2003: HK$138,190,000) were pledged to secure banking facilities granted to the Group (note 23).

Included in the balances of the Group are building structures on lands with net book value of approximately HK$7,730,000 (2003: Nil) in respect of which the Group did not obtain the relevant land use rights as at 31 December 2004.

14. GOODWILL

The amounts of the goodwill capitalised as an asset arising from the acquisition of a subsidiary, are as follows:

	Group HK$'000
Cost:	
At 1 January 2004	13,538
Acquisition of a subsidiary (note 29)	32,839
At 31 December 2004	46,377
Accumulated amortisation:	
At 1 January 2004	338
Provided during the year	677
At 31 December 2004	1,015
Net book value:	
At 31 December 2004	45,362
At 31 December 2003	13,200

Pursuant to the sale and purchase agreement dated 23 September 2004, the Group acquired a 75% equity interest in Changchun Dihao Foodstuff Development Co., Ltd. (''Dihao Foodstuff'') for a consideration of HK$127,500,000, which was satisfied by cash. Further details of the acquisition are set out in notes 16 and 29 to the financial statements.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets/(liabilities)	**55,709**	(2,100)
Long term loan advanced to jointly-controlled entities	**40,000**	40,000
	95,709	37,900
Long term balance due from jointly-controlled entities	**—**	8,412
	95,709	46,312
Short term balance due from jointly-controlled entities	**6,809**	—

The long term loan of HK$40 million advanced to the jointly-controlled entities is equity in nature and is regarded as an investment made thereto. This 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 amount due from the jointly-controlled entities is unsecured, interest-free and repayable on demand. As at 31 December 2003, the amount due was not repayable within 12 months from the balance sheet date and was classified as non-current assets accordingly.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited	Corporate	Hong Kong	HK$1,000	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd.	Corporate	Mainland China	US$3,000,000	50	50	Manufacture and sale of high fructose corn syrup
Global-Nikken (H.K.) Company Limited*	Corporate	Hong Kong	HK$1,550	51	50	Investment holding
Changchun Dacheng Nikken Polyols Co., Ltd.*	Corporate	Mainland China	US$6,000,000	51	50	Manufacture and sale of sorbitol products

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

* Incorporated/established during the year.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2004 HK$'000	Company 2003 HK$'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.

16. 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.*/#	Mainland China	US$12,000,000	73	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.*/#	Mainland China	RMB154,645,600	90	Manufacture and sale of corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.*/#	Mainland China	RMB153,940,000	80	Manufacture and sale of corn refined products
Changchun Dacheng Fermentation Technology Development Co., Ltd.**/#/@	Mainland China	US$2,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng New Polyol Development Co., Ltd.*/#/@	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.*/#	Mainland China	RMB99,250,000	90	Manufacture and sale of corn based biochemical products

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Changchun Dacheng Starch Development Co., Ltd.*/#	Mainland China	RMB54,400,000	90	Manufacture and sale of corn refined products
Changchun Dahe Bio Technology Development Co., Ltd.**/#	Mainland China	US$15,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dihao Foodstuff Development Co., Ltd.*/#/@ (Note)	Mainland China	RMB30,000,000	75	Manufacture and sale of corn based biochemical products
Changchun Jincheng Corn Development Co., Ltd.*/#	Mainland China	RMB98,700,000	90	Manufacture and sale of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.**/#/@	Mainland China	US$6,000,000	100	Manufacture and sale of corn based biochemical products
Dacheng Glutamic Acid (Jinzhou) Development Co., Ltd.**/#	Mainland China	US$12,000,000	100	Dormant
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*/#	Mainland China	US$12,659,400	70	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.**/#	Mainland China	US$2,668,000	100	Manufacture and sale of corn sweeteners

* Registered as cooperative joint ventures under the PRC laws.

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

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

@ Acquired/incorporated/established during the year.

16. INVESTMENTS IN SUBSIDIARIES (continued)

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.

Note:

As detailed in note 14 to the financial statements, on 23 September 2004, the Group acquired 75% equity interest in Dihao Foodstuff. Dihao Foodstuff is a cooperative joint venture established in the PRC, which is principally engaged in the manufacture and sale of corn sweeteners. Further details of the above are set out in a circular of the Company dated on 24 September 2004.

17. LONG TERM PREPAYMENT

The balance represented prepaid related fees in respect of the syndicated loan (see note 22) granted to the Group and the Company. Amortisation is provided on the straight-line basis over the remaining terms of the syndicated loan.

	Group and Company HK$'000
Cost:	
At 1 January 2004 and at 31 December 2004	10,850
Accumulated amortisation:	
At 1 January 2004	1,205
Provided during the year (note 6)	3,617
At 31 December 2004	4,822
Net book value:	
At 31 December 2004	6,028
At 31 December 2003	9,645

18. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**595,103**	343,819
Finished goods	**60,125**	23,062
	655,228	366,881

19. TRADE RECEIVABLES

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

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

	Group	
	2004	2003
	HK$'000	HK$'000
1–30 days	**435,106**	246,978
31–60 days	**131,693**	62,701
61–90 days	**145,320**	45,072
Over 90 days	**86,655**	106,335
	798,774	461,086

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**755,979**	658,481	**20,666**	99,131
Time deposits	**487,162**	77,590	**431,911**	—
Cash and cash equivalents	**1,243,141**	736,071	**452,577**	99,131

At the balance sheet date, HK$734,936,000 (2003: HK$595,700,000) of cash and bank balances of the Group was denominated in Renminbi (``RMB''). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. 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	
	2004	2003
	HK$'000	HK$'000
1–30 days	**107,316**	67,862
31–60 days	**12,325**	4,284
61–90 days	**6,484**	2,574
Over 90 days	**24,577**	17,674
	150,702	92,394

22. INTEREST-BEARING BANK AND OTHER LOANS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans, secured	**—**	264	**—**	—
Bank loans, secured and repayable:				
Within one year	**942,434**	489,698	**310,000**	—
In the second year	**324,072**	227,355	**310,000**	193,750
In the third to fifth years, inclusive	**320,940**	375,896	**—**	193,750
Beyond five years	**6,693**	15,046	**—**	—
	1,594,139	1,107,995	**620,000**	387,500
Other loans, unsecured and repayable within one year	**15,555**	24,587	**—**	—
	1,609,694	1,132,846	**620,000**	387,500
Portion classified as current liabilities	**(957,989)**	(514,549)	**(310,000)**	—
Long term portion	**651,705**	618,297	**310,000**	387,500

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 with interest rate of 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 was utilised. A termination event would arise if certain existing executive directors of the Company, cease to own beneficially, directly or indirectly, at least 40% of the shares in the Company's issued share capital. The first instalment of the syndicated loan was due on 22 March 2005.

22. INTEREST-BEARING BANK AND OTHER LOANS (continued)

The Group's other loans are advanced by a (2003: two) former shareholder of Jinzhou Yuancheng and a supplier of the Group (2003: Nil). These loans are unsecured, interest-free and are repayable on demand.

23. BANKING FACILITIES

At 31 December 2004, the Group's banking facilities, including term loans, mortgage loan and other general facilities, were secured by the following:

(i) fixed charges on certain leasehold land and buildings amounted to approximately HK$150,555,000 (2003: HK$141,971,000), and plant and machinery of the Group amounted to approximately HK$123,150,000 (2003: HK$138,190,000) (note 13);

(ii) corporate guarantees of approximately HK$1,635,978,000 (2003: HK$1,375,772,000) and approximately HK$280,613,000 (2003: HK$199,066,000) given by the Company and the subsidiaries of the Company, respectively; and

(iii) a corporate guarantee of approximately HK$37,383,000 (2003: Nil) given by Changchun Dacheng Industrial Group Co., Ltd., (''Dacheng Industrial''), the minority shareholder of certain subsidiaries of the Group.

In the prior year, one of the Group's banking facilities was secured by a corporate guarantee of approximately HK$46,729,000 given by a third party.

24. MINORITY INTERESTS

	Group	
	2004	2003
	HK$'000	HK$'000
Minority interests	**463,741**	316,829
Due to minority shareholders	**47,171**	8,395

The balance due to minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

25. DEFERRED TAX LIABILITY

At 31 December 2004, the Group provided for deferred tax liabilities of approximately HK$16,348,000 (2003: $16,348,000) arising from revaluation of leasehold land and buildings. No movement in deferred tax liability was noted during the year.

The Group had tax losses arising in Hong Kong of approximately HK$8,341,000 (2003: HK30,587,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. 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. During the year, the utilisation of tax losses arose from intra-group sales of machinery.

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: 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

	Group and Company	
	2004	2003
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each (2003: 10,000,000,000 ordinary shares of HK$0.10 each)	**1,000,000**	1,000,000
Issued and fully paid:		
2,238,986,700 ordinary shares of HK$0.10 each (2003: 2,010,185,200 ordinary shares of HK$0.10 each)	**223,899**	201,019

26. SHARE CAPITAL (continued)

Shares (continued)

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

(a) The subscription rights attaching to 42,000,000 and 36,800,000 share options were exercised at the subscription prices of HK$1.316 and HK$1.830 per share (note 27), respectively, resulting in the issue of 78,800,000 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$122,616,000.

(b) 1,500 shares of HK$0.1 each were issued for cash at 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$14,700.

(c) Pursuant to the Subscription Agreement between LXM Limited and the Company entered on 12 October 2004, 150,000,000 shares were issued and fully subscribed by LXM Limited at a price of HK$5.7 each (as detailed below). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive director of the Company.

26. SHARE CAPITAL (continued)

Shares (continued)

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

	Notes	Number of shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
As at 1 January 2003		1,931,705	193,171	924,574	1,117,745
Shares issued for acquisition of a subsidiary		13,294	1,329	32,238	33,567
Share options exercised		65,186	6,519	81,639	88,158
		78,480	7,848	113,877	121,725
As at 31 December 2003 and 1 January 2004		2,010,185	201,019	1,038,451	1,239,470
Share options exercised	(a)	78,800	7,880	114,736	122,616
Warrants exercised	(b)	2	—	15	15
Share subscription and placement	(c)	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

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

Pursuant to an ordinary resolution passed in the annual general meeting of the Company held on 4 May 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 were issued.

Each of the bonus warrants entitles 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).

Any shares falling to be issued upon the exercise of the subscription rights attaching to the warrants rank pari passu in all respects with the existing issued and fully paid ordinary shares on the relevant subscription date.

During the year, 1,500 warrants were exercised for 1,500 shares of HK$0.1 each at a price of HK$9.8 per share. At the balance sheet date, the Company had 260,871,650 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 260,871,650 additional shares of HK$0.1 each and the cash proceeds to the Company of approximately HK$2,556,542,170 before any related expenses.

Share subscription and placement

Pursuant to the Placing Agreement entered 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 per share. LXM Limited is beneficially owned by Mr. Liu Xiaoming.

On the same date, LXM Limited entered 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 net 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 the 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.

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.

27. SHARE OPTION SCHEME (continued)

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

	Number of share options						Price of Company's shares****	
Category or name of participant	At 1 January 2004*	Exercised during the year	At 31 December 2004	Date of grant of share options**	Exercise period of share options	Exercise price of share options*** HK$	At grant date of options HK$	At exercise date of options HK$
Directors								
Mr. Liu Xiaoming	14,745,600	(10,000,000)	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
Mr. Xu Zhouwen	23,040,000	(10,000,000)	13,040,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
Mr. Kong Zhanpeng	14,745,600	(10,000,000)	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
Mr. Wang Tieguang	14,745,600	(10,000,000)	4,745,600	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	7.00
	67,276,800	(40,000,000)	27,276,800					
Other employees								
In aggregate	7,152,000	(2,000,000)	5,152,000	21 August 2001	21 August 2001 to 20 August 2011	1.316	1.66	5.55
	74,428,800	(42,000,000)	32,428,800					

* 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.

**** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options and was adjusted for the bonus issue made on 23 April 2002 from HK$2.00 to HK$1.66. 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 42,000,000 share options exercised during the year resulted in the issue of 42,000,000 ordinary shares of the Company and new share capital of HK$4,200,000 and share premium of approximately HK$51,072,000 (before issue expenses), as detailed in note 26 to the financial statements.

27. SHARE OPTION SCHEME (continued)

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

	Number of share options to subscribe for ordinary shares at an exercise price per share of# '000
At beginning of year	74,429
Exercised during the year	(42,000)
At the end of year	32,429

\# 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, the Company had 32,428,800 share options outstanding under the SO Scheme which were exercisable at a subscription price of HK$1.316, after the adjustment for the one for five bonus issue during the year ended 31 December 2002, and will expire on 20 August 2011. The outstanding share options represented approximately 1.4% of the Company's shares in issue as at the balance sheet date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,428,800 additional ordinary shares and cash proceeds to the Company of approximately HK$42,676,000 before the related share issue expenses.

27. SHARE OPTION SCHEME (continued)

Other than the SO Scheme disclosed above, the Company has also 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, 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 the grant of the share options was HK$1.65, which was the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options and was adjusted for the bonus issue made on 23 April 2002 from HK$1.98.

In 2003, 23,800,000 shares options were exercised at a subscription price of HK$1.59 per share, resulting in the issue of 23,800,000 new ordinary shares in the Company at a total consideration of HK$37,842,000. The price of the Company's shares as at the preceding date of the exercise of the share options was HK$1.92.

During the year, 36,800,000 share options were exercised at a subscription price of HK$1.83 per share, resulting in the issue of 36,800,000 new ordinary shares in the Company at a total consideration of HK$67,344,000. The price of the Company's shares as at the date of the exercise of the share options was HK$6.55 which was the Stock Exchange closing prices on the trading day immediately prior to the date of the exercise of the share options.

The remaining 47,420,000 share options remained outstanding as at 31 December 2004 and at the date of this report. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 47,420,000 additional ordinary shares and cash proceeds to the Company of approximately HK$104,798,000 before the related share issue expenses.

28. RESERVES

Group

	Notes	Share premium account HK$'000	Fixed assets revaluation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003		636,839	7,204	—	978,236	1,622,279
Issue of shares	26	113,877	—	—	—	113,877
Net profit for the year		—	—	—	520,772	520,772
Interim dividend 2003 paid	11	—	—	—	(40,510)	(40,510)
Proposed final 2003 dividend	11	—	—	—	(50,255)	(50,255)
Transfer from retained profits		—	—	2,369	(2,369)	—
Surplus on revaluation		—	108,752	—	—	108,752
Surplus on revaluation shared by minority shareholders		—	(13,181)	—	—	(13,181)
Deferred tax liability		—	(16,348)	—	—	(16,348)
At 31 December 2003 and 1 January 2004		750,716	86,427	2,369	1,405,874	2,245,386
Issue of shares	26	954,751	—	—	—	954,751
Share issue expenses	26	(25,189)	—	—	—	(25,189)
Net profit for the year					815,451	815,451
Interim dividend 2004 paid	11	—	—	—	(54,144)	(54,144)
Proposed final 2004 dividend	11	—	—	—	(111,949)	(111,949)
Transfer from retained profits		—	—	965	(965)	—
At 31 December 2004		1,680,278	86,427	3,334	2,054,267	3,824,306
Reserves retained by:						
Company and subsidiaries		1,680,278	86,427	3,334	2,060,187	3,830,226
Jointly-controlled entities		—	—	—	(5,920)	(5,920)
31 December 2004		1,680,278	86,427	3,334	2,054,267	3,824,306
Company and subsidiaries		750,716	86,427	2,369	1,410,315	2,249,827
Jointly-controlled entities		—	—	—	(4,441)	(4,441)
31 December 2003		750,716	86,427	2,369	1,405,874	2,245,386

28. RESERVES (continued)

Company

	Notes	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003		924,574	27,700	952,274
Issue of shares	26	113,877	—	113,877
Net profit for the year	10	—	126,474	126,474
Interim 2003 dividend	11	—	(40,510)	(40,510)
Proposed final 2003 dividend	11	—	(50,255)	(50,255)
At 31 December 2003 and 1 January 2004		1,038,451	63,409	1,101,860
Issue of shares	26	954,751	—	954,751
Share issue expenses	26	(25,189)	—	(25,189)
Net profit for the year	10	—	120,381	120,381
Interim 2004 dividend	11	—	(54,144)	(54,144)
Proposed final 2004 dividend	11	—	(111,949)	(111,949)
At 31 December 2004		1,968,013	17,697	1,985,710

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.

28. RESERVES (continued)

Company (continued)

The share premium account of the Company includes: (i) the difference between the then combined net assets value of the subsidiaries acquired pursuant to the Group reorganisation 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 Cap. 22 (Law 6 of 1961, as consolidated and 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.

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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	Notes	2004 HK$'000	2003 HK$'000
Net assets acquired:			
Fixed assets	13	**104,425**	142,792
Deposits paid for acquisition of fixed assets		**—**	91,119
Inventories		**12,901**	—
Trade receivables		**11,610**	—
Prepayments, deposits and other receivables		**9,467**	2,432
Cash and bank balances		**34,113**	2,204
Trade payables		**(27,853)**	—
Other payables and accruals		**(6,791)**	(13,575)
Interest-bearing bank loans		**(11,308)**	(65,621)
Other loans		**—**	(55,990)
Tax payable		**(350)**	—
Due to a minority shareholder		**—**	(5,162)
Minority interests		**(31,553)**	(29,460)
		94,661	68,739
Goodwill on acquisition	14	**32,839**	13,538
		127,500	82,277
Satisfied by:			
Cash		**127,500**	48,710
Issue of shares		**—**	33,567
		127,500	82,277

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

Acquisition of a subsidiary (continued)

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

	2004 HK$'000	2003 HK$'000
Cash consideration	**(127,500)**	(48,710)
Cash and bank balances acquired	**34,113**	2,204
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(93,387)**	(46,506)

On 23 September 2004, the Group entered into an agreement to acquire 75% equity interest in Dihao Foodstuff (as detailed in note 16 to the financial statements). 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.

Since its acquisition, Dihao Foodstuff contributed HK$146,735,000 to the Group's turnover and HK$16,075,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2004.

30. LITIGATION

In the prior year, a subsidiary of the Group was a defendant in a lawsuit brought by an existing customer for an alleged breach of certain sales contracts. Subsequent to the balance sheet date, on 5 January 2005, the Group and the plantiff have reached an out-of-court settlement. Adequate provisions have been made in the financial statements in this report.

31. CONTINGENT LIABILITIES

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

At 31 December 2004, 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$860,978,000 (2003: HK$343,800,000).

31. CONTINGENT LIABILITIES (continued)

At 31 December 2004, the Company had provided 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 (2003: Nil) (see also note 33(b)).

32. COMMITMENTS

At 31 December 2004, the Group had capital commitments as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold land and buildings	**236,565**	354,673
Plant and machinery	**142,930**	23,121
	379,495	377,794
Authorised, but not contracted for:		
Capital contributions payable to subsidiaries	**288,600**	162,429
	668,095	540,223

Apart from the above, in October 2003, the Group announced to set up a joint venture with two joint venture parties, namely, International Polyol Chemicals (''IPCI'') in Changchun, for the manufacture and sale of polyol products. In the opinion of the directors, the expected annual production capacity for this new production plant will be approximately 200,000 metric tonnes, but the details of the investment amount have not yet agreed among the parties at the date of this report.

Save as disclosed, the Company did not have any significant commitments as at 31 December 2004.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the Group sold goods and charged utility costs to a jointly-controlled entity amounting to approximately HK$48,142,000 (2003: HK$18,526,000) and HK$5,978,000 (2003: HK$3,365,000), respectively. The sales were made at prices which were comparable to the prices offered to other customers of the Group. The utility costs were charged based on the actual costs incurred.

(b) During the year, the Group sold goods to Mitsui & Co., Ltd., Mitsui & Co. (Canada) Ltd. and Mitsui & Company (Hong Kong) Ltd., in aggregate amounting to approximately HK$12,171,000 (2003: HK$7,060,000). In the opinion of the directors, the above mentioned companies are subsidiaries of Mitsui & Co., Ltd., which is the joint venture partner of a jointly-controlled entity in which the Group effectively held 51% equity interest. The aforesaid transactions were made at prices mutually agreed between the parties.

(c) At 31 December 2004, the Company had issued a guarantee to secure certain of the jointly-controlled entity's bank loans aggregating HK$15,113,000 (2003: HK$15,113,000). At the balance sheet date, HK$11,625,000 were utilised by this jointly-controlled entity (2003: Nil).

(d) At 31 December 2004, a corporate guarantee of HK$37,383,000 (2003: Nil) was given by Dacheng Industrial. At the balance sheet date, HK$37,383,000 (2003: Nil) were utilised by a subsidiary of the Group.

34. POST BALANCE SHEET EVENT

(a) On 30 March 2005, pursuant to an agreement entered into by a jointly-controlled entity (``Dacheng Nikken'') in which the Group effectively owns 51% equity interest and Dacheng Industrial, which is a minority shareholder of certain subsidiaries of the Group. Dacheng Nikken agreed to purchase a piece of land from Dacheng Industrial for the construction of a sorbitol plant at a cash consideration of approximately RMB17 million (equivalent to approximately HK$16 million).

(b) On 8 April 2005, the Company proposed to declare a final dividend of HK5 cents per ordinary share in respect of the year, to shareholders whose names appear on the register of members on 18 May 2005, as detailed in note 11 to the financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 April 2005.