Annual Report 2007

Global Bio-chem

Technology Oriented

Sensible Strategy

Performance Breakthrough

GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 0809

* For identification purpose only

CHANGCHUN & DEHUI

Capacity:

• Amino Acids	— Lysine 140,000 mtpa
	— Protein Lysine 220,000 mtpa
	— Glutamic Acid 100,000 mtpa
	— Threonine 10,000 mtpa
• Corn Sweeteners	— Glucose & Maltose 1,060,000 mtpa
	— Sorbitol 60,000 mtpa
	— Crystallised Glucose 200,000 mtpa
• Modified Starch	— 80,000 mtpa
• Chemicals	— Polyol 210,000 mtpa
• Corn Refinery	— 1.8 million mtpa

Site Area: Over 2.3 million m^2
Location: Situated within Golden Corn Belt

JINZHOU

Capacity:

• Corn Refinery	— 600,000 mtpa

Site Area: Approximately 370,000 m^2
Location: Situated within Golden Corn Belt and at transportation hub

SHANGHAI

Capacity:

• Corn Sweeteners	— Glucose & Maltose 120,000 mtpa
	— HFCS 120,000 mtpa

Site Area: Approximately 30,000 m^2
Location: Situated in close proximity to food & beverage manufacturer

HONG KONG

Headquarters

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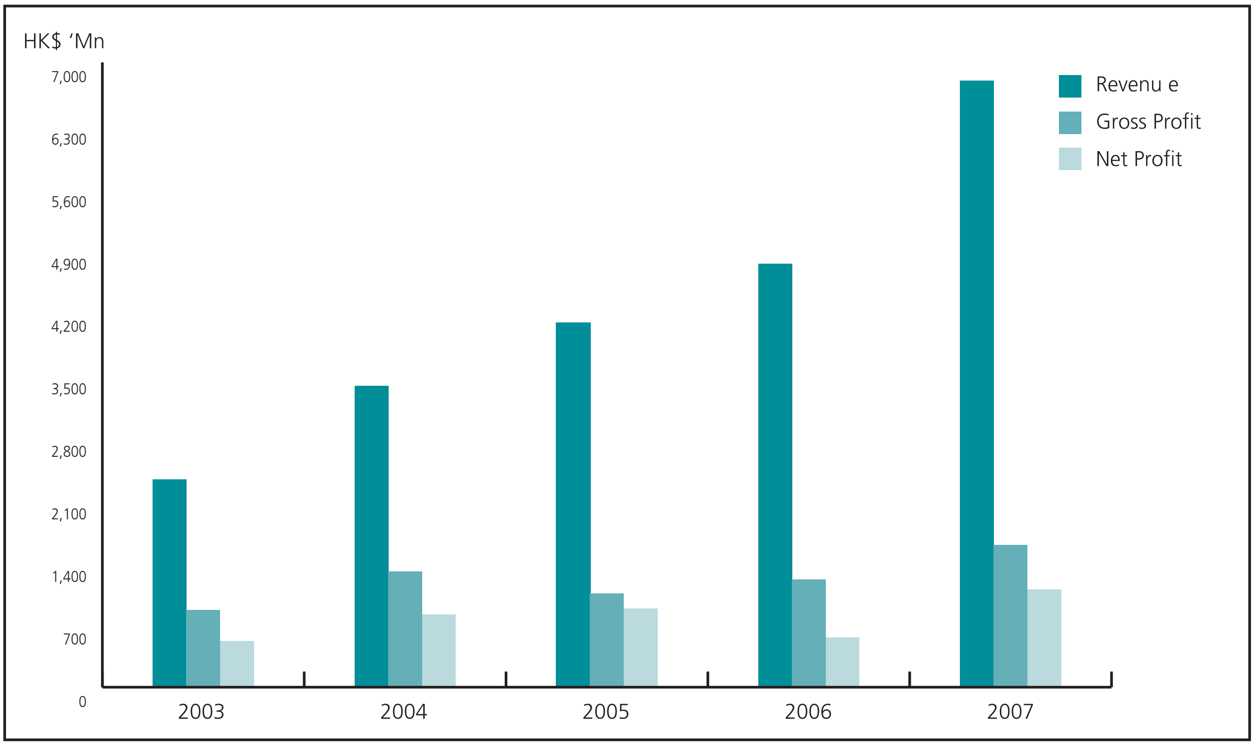


FINANCIAL HIGHLIGHTS

	2007	2006	Change %
Revenue (HK$'Mn)	**6,797**	4,743	43
Gross Profit (HK$'Mn)	**1,596**	1,207	32
Gain from the spin-off of Global Sweeteners (HK$'Mn)	**271**	—	N/A
Profit before tax (HK$'Mn)	**1,095**	557	97
Net profit excluded the gain from the spin off of Global Sweeteners attributable to equity holders of the Company (HK$'Mn)	**672**	501	34
Net profit attributable to equity holders of the Company (HK$'Mn)	**943**	501	88
Basic earnings per share (HK cents)	**40.7**	21.6	88
Dividend per share (HK cents)			
Interim	**1.0**	1.0	—
Proposed final	**2.0**	2.0	—

Dear shareholders

In 2007, Global Bio-chem achieved satisfactory performance in both results and business development. The Group also accomplished remarkable technological achievement and laid a solid foundation for future development. In addition, we successfully sought a separate listing of our sweetener business during the year for its independent development. In tandem with our fully vertically integrated manufacturing capability, the Group has also enhanced its corporate management, financing capability as well as its asset base.

In September 2007, the Group successfully completed the separate listing of Global Sweeteners on the main board of the Hong Kong Stock Exchange. Since the sweetener business is well developed and mature, the spin-off of the Group's sweetener business not only allows investors to separately analyse the performance and prospects of the Group and Global Sweeteners, but also creates an independent financing platform and management team for our sweetener business unit to accelerate its development with a focused objective.

In spite of a challenging and changing market environment and fluctuation in corn price, the Group reported a satisfactory performance for the year. The Group reported a consolidated revenue of approximately HK$6.8 billion for the year 2007, representing an increase of 43 per cent when compared with that of the previous year. Operating profit and net profit increased by 78 per cent and 95 per cent to approximately HK$1.4 billion and HK$980 million respectively. Included in our net profit for the year was a gain from investment resulting from the spin-off listing of Global Sweeteners. If this gain is excluded, our net profit rose 41% compared with the previous year.

Last year's growth reflects our ability to capture the significant improvement in the selling prices and volume of the Group's mainstream products, lysine and protein lysine during the second half of the year. Such increases demonstrated the correlation between demands for our lysine products as a feed additive with the increasing demand for meat products in China and global markets.

The increase in demand of lysine products and the gradual elimination of inefficient and excess capacity during the year led to a temporary mild shortage in the supply of lysine. The Group fully utilised the flexibility of its amino acid production lines and retrofitted our 100,000 metric tonne glutamic acid production line for the production of lysine to capture market opportunities. With an annual capacity of 400,000 metric tonnes of lysine products, the Group has surpassed its competitors and become the world's largest lysine producer. As industry leader, the Group intends to maintain a healthy development of the lysine market through an orderly product supply. During the year, the Group sold approximately 390,000 metric tonnes of lysine products, representing an increase of 19 per cent from that of the previous year. Sales to the domestic China market accounted for approximately 64 per cent of total lysine sales volume while approximately 36 per cent of the sales volume were to overseas markets.

Demand of polyol chemicals in China rose during the past decade, and most of the supplies were manufactured from petrochemical raw materials. China is one of the world's largest importers of polyol chemicals. The Group began exploring into the inherent opportunities presented by the growing demands and relative lack of supply of polyol chemical products in China market by investing resources in its polyol project over the past few years. The Group is a pioneer in commercialising the production of polyol chemicals using corn as key raw material. We believe that the quest for a reduction in oil consumption and the global preference for the use of renewable resources will be key drivers for the use of corn as a raw material for the manufacture of polyol chemicals in both the near and longer term around the world.

In anticipation of the use of corn as an alternative raw material for the production of polyol chemical products, and the wide application of polyol chemical products in various industries, we are now actively developing our polyol project into another major contributor to the Group's future revenue and growth.

The Group is committed to developing itself as a diversified biochemical products manufacturer driven by technology with innovation. After years of investment in its polyol project, commercial production of the polyol plant in Changchun, with an initial annual production capacity of 200,000 metric tonnes, began in second half of the year. Although the polyol plant has only been operational for a few months during the year, it achieved sales of 33,000 metric tonnes of polyol chemical products, and contributed a turnover of HK$258 million. Target customers of the Group's polyol chemical products include those from the construction materials, textile, automobile, painting products and cosmetics industries.

In addition to the development of production knowhow, the Group has also been developing sales and marketing strategies for its polyol chemical products. In this connection, the Group has established a sales centre in Shanghai and a polyol application development team at its Shanghai laboratory to engage in the development of application technologies addressing the needs of different customers, and promoting the use of corn based polyol chemical products in different industries.

In August 2007, the Hague District Court issued orders prohibiting the Group from importing into and/or trading in the EU lysine products that allegedly infringed the patents of a third party. The Group has lodged an appeal against the court's verdict. As for the Ajinomoto case in the US regarding complaint for alleged infringement of intellectual property rights, the United States International Trade Commission has yet to come to a decision and the Directors do not consider that the disputes will have significant impact on the business of the Group.

PROSPECTS

In addition to the effect of improving living standards in China and the rapid development of the industrial sector, the demands for feed additives in the livestock industry and the increasing emphasis on and preference for the use of environmental-friendly industrial materials are all expected to spawn steady growth in demands for the Group's corn refined and corn based biochemical products in the foreseeable future. The Group has established its niches in production scale, market share and technological innovation in all sectors in which it operates, and is well positioned to benefit from the expected continual growth in demands for its existing products and products under development, particularly its polyol chemical products.

The polyol plant with an annual capacity of 200,000 metric tonnes will be fully operational and is expected to have a positive effect on the Group's overall performance. The Group is enhancing the development of its customer network and is confident that its corn based polyol chemical products will be well accepted by the market. Separately, the Group will continue to augment its polyol chemical product range to meet anticipated demands from high-end industrial customers. Since the prices of petrochemical products are currently at, and are expected to remain at a high level, we believe our corn based polyol chemical products will find ready acceptance in the market and will contribute to our revenue growth.

Our plan is to develop our corn based polyol chemical business into another high value-added core business, and to secure a leading position in the world market for this product. We are seeking collaboration with both domestic and overseas enterprises in the development and expansion of our polyol project. We will also actively explore opportunities to develop an independent financing platform for this project.

The Group's lysine business has already established a leading position in the world. In the foreseeable future, the Group will maintain its existing capacity to maintain a stable and orderly supply of its lysine product. Since protein lysine has been widely accepted by both the domestic and overseas markets, the Group can adjust supply through adjustment of its amino acids production plants, and thus regulate the product's total output.

Despite the 10 per cent upsurge in corn price during the last two years, it is expected that the average corn price in China in 2008 will be in line with the average level of 2007 for the Group. To control raw material costs, the Group has effectively captured the traditionally lower corn market price during the first quarter in 2008, by utilising its storage capacity to purchase a considerable amount of corn, in order to stabilise raw material costs in 2008.

To support its downstream product expansion, the Group is planning to increase its annual corn processing capacity by 1,700,000 metric tonnes and the proposed corn refinery development project in this regard has been approved by the National Development and Reform Commission. The Group plans to commence construction of this new plant in 2008 and expects the plant to become operational in 2009 in phases. After the successful commissioning of this additional corn refinery, the Group's annual corn processing capacity will be increased to 4,100,000 metric tonnes, and will be sufficient to support the expansion of its polyol project.

In addition to improving production flow, the Group achieved environmental protection and costs reduction through energy saving and emission reduction. We hope to apply our core technology to upgrade our manufacturing operational structure to maximise economic return through further enhanced vertical integration and the development of costs saving technology. These measures will help to lay a foundation for the Group's future development.

The Group's strategy has always been for growth through the development and refinement of production technologies and the effective marketing of its products through progressive but prudent expansion of its production capacities and sales network, and working with existing and new customers in the development of products that not only meet market demands, but in anticipation of demands.

From this strategy, the Group has developed itself into the largest corn refinery in China and Asia, the biggest producer of sweetener products in China through Global Sweeteners, the biggest producer of lysine products in China and the world, and the first successful commercial producer of corn based polyol chemical products in Asia. The Group intends to continue its pursuit of growth, maximisation of return on investment and creation of shareholder value through technology development and improvement and the development of new products and new customer groups.

We would like to thank our shareholders, investors, business partners and staff who have rendered their continuous support over the years. We would like to share with you all the return of our achievements.

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

22 April 2008

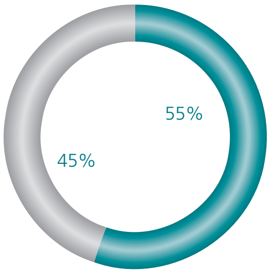
Revenue and Gross Profit Analysis

Sales Volume (mt)

1,208,108 (55%)

Amino acids	407,308
Modified Starch	62,496
Sweeteners	703,535
Others	34,769

987,652 (45%)

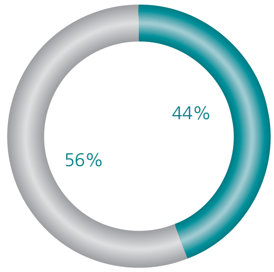


2007

798,944 (44%)

Amino acids	349,870
Modified Starch	76,285
Sweeteners	365,114
Others	9,675

1,024,604 (56%)



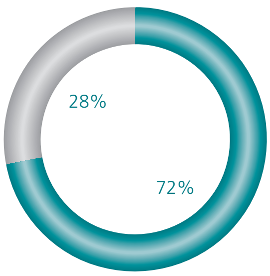
2006

Revenue (HK$'000)

4,914,225 (72%)

Amino acids	3,084,081
Modified Starch	189,990
Sweeteners	1,379,594
Others	260,560

1,882,646 (28%)

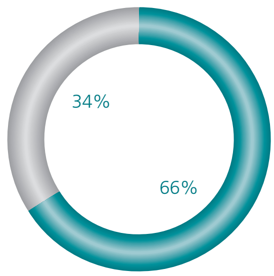


2007

3,126,934 (66%)

Amino acids	3,212,277
Modified Starch	216,903
Sweeteners	671,485
Others	26,269

1,616,007 (34%)



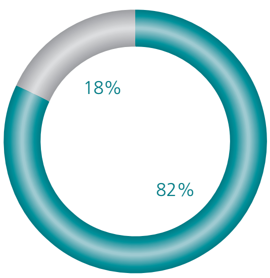
2006

Gross Profit (HK$'000)

1,305,886 (82%)

Amino acids	865,631
Modified Starch	29,728
Sweeteners	398,246
Others	12,281

289,796 (18%)

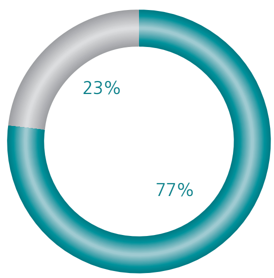


2007

930,863 (77%)

Amino acids	656,081
Modified Starch	75,673
Sweeteners	202,882
Others	-3,773

275,913 (23%)



2006

Downstream products   Upstream products

mt : metric tonnes

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

SEPARATE LISTING OF GLOBAL SWEETENERS

On 20 September 2007, one of the subsidiaries of the Company, namely, Global Sweeteners Holdings Limited ("Global Sweeteners") (stock code: 3889), successfully listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Currently the Group remains the major shareholder of Global Sweeteners and holds approximately 67% equity shares of Global Sweeteners. The net proceeds, cumulatively, amounting to approximately HK$657 million were raised and gain from the spin-off amounting to approximately HK$271 million was recorded.

BUSINESS ENVIRONMENT

As one of the extensively used raw materials for the production of ethanol, it was generally expected that the supply of corn kernels would become tense. Although the corn price rose substantially during the year ended 31 December 2007 (the "Year") as compared to previous year, it brought no significant negative impact on the Group's profitability because almost all increased cost was successfully passed on to the Group's customers of upstream product segment. Furthermore, followed by the promulgation of middle and long term programme of renewable energy development (可再生能源中長期發展計劃) issued by the National Development and Reform Commission of the People's Republic of China (the "PRC") in August 2007, the PRC will not increase the production capacity of ethanol derived from grain crops including corn. It thereby mitigated the increment of the corn price to a reasonable level brought by the increase in demand of corn for ethanol production in early 2007.

Since the second half of last year, global market of lysine became stable and lysine price rebounded from the bottom substantially, which provided the Group a better marketing environment. However, the increasing interest margin of the US and the PRC imposed additional pressure on the finance costs of the Group.

To effect a strategic allocation of client base and in view of keen demand from overseas markets, the Group maintained its sales to regions other than the PRC at similar level. During the Year, such sales accounted for approximately 22% (2006: 24%) of the Group's revenue.

FINANCIAL PERFORMANCE

The net profit for the Year of approximately HK$980 million rose by approximately 95% resulting mainly from the expansion of production capacity, the additional output of high value-added downstream products and the spin-off of Global Sweeteners despite the increasing pressure from finance costs.

The Group's consolidated revenue increased by approximately 43% to approximately HK$6.8 billion (2006: HK$4.7 billion) as compared to last year, which mainly resulted from the expansion of both upstream and high value-added downstream products. Accordingly, the gross profit of approximately HK$ 1.6 billion (2006: HK$1.2 billion) for the Year increased by approximately 32%. Although gross profit margin slimmed by approximately 2%, the average gross profit per unit of product sold rose by approximately 10% in view of the success in passing the increased cost to the customers.

Upstream products segment

(Sales amount: HK$1,883 million (2006: HK$1,616 million))
(Gross profit: HK$290 million (2006: HK$276 million))

Due to the continual development of downstream products, the internal consumption of corn starch from upstream operation further increased. Despite the increase in total output by 4% after the new upstream refinery commenced its production during the year, the sales volume to external customers dropped by approximately 4% as compared to last year.

Due to the anticipation that there would be an extensive use of agricultural products to produce bio-fuel related chemicals such as ethanol, the corn kernel price rose substantially by approximately 10%, especially in the first half of the Year. In view of the success in passing on the increased material costs and other operation overhead to the Group's customers, the average unit price of upstream products also increased by approximately 21%. As a result, the gross profit margin of approximately 15% maintained at similar level as compared to last year.

Downstream products segment

(Sales amount: HK$4.9 billion (2006: HK$3.1 billion))
(Gross profit: HK$1,306 million (2006: HK$931 million))

Driven by the increase in sales volume of all amino acids, corn sweeteners and polyol chemical products and the prices rebound of lysine products, the revenue of downstream products increased substantially by approximately 57% during the Year. Similar to preceding years, the aggregate turnover of amino acids of approximately HK$3.1 billion (2006: HK$2.2 billion) rose by approximately 39% and constituted a major portion, approximately 45%, of the Group's total turnover. Such improved performance was mainly derived from the improvement in both output efficiency and market condition of lysine products.

As a new income source, polyol chemical products recorded revenue of approximately HK$258 million (2006: HK$18 million) representing approximately 4% of the Group's total turnover, since its commercial production in the fourth quarter of the Year.

In view of the support from new upstream refinery in Dehui which commenced commercial production during the Year, the reliance of raw materials, i.e. glucose syrup, supplied from our sweetener division for the production of amino acids in Dehui has been reduced. Accordingly, the volume of corn sweeteners, mainly glucose syrup, available for external sales became larger, which matched with our strategy to expand sweeteners market share. During the Year, sales and gross profit of sweetener products amounting to approximately HK$1,380 million (2006: HK$671 million) and approximately HK$398 million (2006: HK$203 million), respectively, doubled last year.

To align with the expansion strategy of sweetener products, the Group intended to use the resources from the new facilities in Dehui to produce amino acids there. However, the efficiency of such facilities had not yet reached its optimal level during the Year. In order to avoid unnecessary impact on the marketing strategy of sweetener segment but to obtain adequate raw material for the production of amino acids, the Group took a temporary action to purchase corn sweeteners externally amounting to approximately HK$309 million during this transitional period. Together with the higher material cost and production overhead, the gross profit margin of amino acids remained at approximately 28% (2006: 30%) although their selling price rose by approximately 20% as compared to last year.

As a result, the overall gross profit of downstream segment dropped slightly by approximately 3%.

Product segments

In line with the Group's strategy to expand the portfolio of downstream products, upstream products available for external sales reduced. The sales of upstream products accounted for approximately 28% of the Group's total turnover, which was approximately 6% less than last year.

Operating expenses and income tax

Due to inflation and enlarged operation scale, the operating expenses other than finance costs increased by approximately 28%. However, the ratio of such operating expenses to turnover slightly dropped by approximately 1% resulting mainly from the continuous and stringent control over operating costs, the enhancement in operating efficiency arising from expansion and enlarged turnover as the base of calculation.

The finance costs (after netting-off the amount capitalised as construction in progress of approximately HK$15 million (2006: HK$34 million)) accounted for approximately 4% (2006: 4%) of revenue. The increase in finance costs of approximately HK$58 million was mainly attributable to the enlarged borrowing portfolio and upward trend of interest margin. It is anticipated that the pressure from finance costs will remain heavy for the coming year.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can still enjoy income tax relief. However, due to the expiry of tax holiday of some other subsidiaries established in the PRC, the overall effective tax rate of the Group increased by approximately 11% (2006: 10%).

Special gain from spin-off

A special gain of approximately HK$271 million arose from the spin-off of Global Sweeteners after deducting listing expenses of approximately HK$22 million. On the other hand, profit shared by the minority shareholders of Global Sweeteners, since spin-off, amounted to approximately HK$36 million.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support additional working capital requirement and the capital expenditure on projects including the construction of facilities and/or expansion projects, the net borrowing as at 31 December 2007 enlarged to approximately HK$2.8 billion (31 December 2006: HK$2.3 billion).

Structure of interest bearing borrowings

As at 31 December 2007, the Group's bank borrowings amounted to approximately HK$4.8 billion (31 December 2006: HK$4.0 billion), of which approximately 17% (31 December 2006: 30%) were denominated in Hong Kong dollars or US dollars while the remainder were denominated in RMB. The average interest rate during the Year was approximately 6% (2006: 6%).

The percentage of interest bearing borrowings wholly repayable within one year and in the second to the fifth years were approximately 35% (31 December 2006: 81%), and 65% (31 December 2006: 19%) respectively. Such improvement was mainly attributable to the continual support from existing bankers. The Board also believes that there is no material pressure in obtaining continuous financing resource. As at 31 December 2007, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$21 million (31 December 2006: HK$62 million).

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms of 90 days to established customers. In view of the expanding capacity and market competition, favourable credit terms are granted to customers with good payment history. Trade receivables turnover days increased to approximately 58 days (31 December 2006: 29 days). To cope with the expanding production capacity of the Group, additional inventory, especially corn kernels, was kept and thus inventory turnover days increased to approximately 87 days (31 December 2006: 62 days). Meanwhile, the trade creditors turnover days increased to approximately 33 days (31 December 2006: 25 days) which was in line with the seasonal pattern of stock acquisition.

The current ratio and the quick ratio as at 31 December 2007 at approximately 1.4 (31 December 2006: 0.7) and 1.0 (31 December 2006: 0.5) respectively improved substantially because of better repayment pattern of bank borrowings and strong operating performance. Meanwhile, gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to equity were remained stable at approximately 36% (31 December 2006: 37%), 74% (31 December 2006: 75%) and 43% (31 December 2006: 44%), respectively. Despite of the increase in both bank borrowings and interest margin, interest coverage (i.e. EBITDA over finance costs) of approximately 7 times (2006: 5 times) improved due to the strong operating results and the special gain on the spin-off of Global Sweeteners.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2007.

PROSPECT

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

Global Sweeteners

The principal objective of Global Sweeteners and its subsidiaries (the "Global Sweeteners Group") is to strengthen its leading position in the corn sweetener market in the PRC. As one of the largest corn sweetener producers in the PRC, it is of utmost importance for the Global Sweeteners Group to maintain its leading position in the market by expanding its production capacity, and at the same time, expand its sales network.

To expand its production capacity, it is intended to establish new production facilities for products, including but not limited to glucose syrup, maltose, maltodextrin, crystallised glucose and HFCS, at existing locations of the production facilities of the Global Sweeteners Group and other locations in the PRC. These expansion plans will be principally financed by the proceeds from the listing.

It is also intended to expand Global Sweeteners Group's sales and marketing teams in terms of both headcounts and coverage. New sales or representative offices in certain provinces of the PRC will be established in order to achieve higher efficiency, provide better service to the customers and obtain more information of the local market to assist the management to respond to changes in market conditions. At present, with the intention to enter into the PRC's consumer market, a sales office in Shanghai has been set up.

Polyol project

Polyol chemical products include ethylene glycol, propylene glycol, glycerin and butanediols and can be used in textile, plastic, construction materials, medical, chemical and cosmetic industries. The end products from polyol include polyester fibre, polymer resin and anti-freezer, chemicals applied in the production of coatings, PVC stabilisers, detergents, paint driers, etc. Usually, polyol chemical products are refined from crude oil and thus, their prices are highly correlated.

In view of the expected expensive and insufficient supply of crude oil in the foreseeable future, the use of agricultural products as raw material of polyol becomes a feasible remedy to this issue.

The Board is of the opinion that the PRC and other regions in Asia are markets with enormous potential for the polyol chemical products. In addition to the polyol chemical plant with an annual capacity of 200,000 metric tonnes in Changchun which has commenced its production in the second half of the Year, the Board intends to further expand the capacity of polyol chemical products in order to capture such huge potential market. To facilitate such development, foundation work of a new production site near Changchun is now in progress. It is expected that success in the polyol project will generate large contribution to the Group in the near future.

Amino Acids

Among those amino acids, the planned production capacity of lysine includes 140,000 metric tonnes of lysine and 220,000 metric tonnes of protein lysine. Meanwhile, the current expected annual consumption of lysine in the PRC had been over 270,000 metric tonnes (or equivalent to approximately 380,000 metric tonnes of protein lysine) and large additional demand is expected when feed producers lift up their consumption rate of lysine to follow the national or western countries' indicated additive proportion in feed industry.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently proposed respondents in an investigation under Section 337 of the Tariff Act of 1930, as amended, in the United States. Monetary remedies are not available and the complainant requested a permanent exclusion order and a cease and desist order against certain of the Group's products in the United States. The Directors, based on the advice from the Group's legal counsel, consider that the Group has sufficient grounds to defend the case. All estimated related legal costs arising have been properly accrued in the consolidated financial statements.

In addition, the Company and certain of its subsidiaries are currently proposed respondents in a litigation in The Hague District Court in relation to the infringement of three registered patents. On 22 August 2007, The Hague District Court handed down its judgement that two patents had been infringed by the respondents and issued orders (i) prohibiting the Group from further infringement and the offer for sale, import and/or trade of any infringing products, L-lysine products in the Netherlands with immediate effect and (ii) compensate the damages of the plaintiffs; all to be assessed by the court. The Directors believe the judgement to be incorrect and appeal against the court's judgement had been lodged. No provision for the infringement compensation is considered necessary as advised by the Group's legal counsel.

Save as disclosed above, there was no material contingent liability of the Group as at 31 December 2007.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2007, the Group had approximately 5,000 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production capability and development of new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

LIU Xiaoming aged 52, is the Co-Chairman of the Group. He is responsible for the Group's overall business development, as well as the formulation of corporate direction and strategies. He holds a bachelor's degree in chemical engineering from the Hua Nan Polytechnic University. He has worked with the Group over 10 years.

XU Zhouwen aged 65, is the Co-Chairman of the Group. He is responsible for formulating and implementing the Group's product diversification strategies, managing the Group's product development and technology research, as well as supervising the Group's overall production and operations. He graduated from the Harbin Electric University in 1970. Mr. Xu was appointed an executive director of the Company in 2001.

WANG Tieguang aged 43, is responsible for the Group's sales and marketing functions. He holds a bachelor's degree in economics from the University of Heilongjiang. He has worked with the Group over 10 years.

KONG Zhanpeng aged 43, is one of the founders of the Group. He holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University. Mr. Kong resigned as director of the Company on 20 September 2007 and became the chairman of Global Sweeteners Holdings Limited, an indirect subsidiary of the Company, that listed on the main board of The Stock Exchange of Hong Kong Limited.

NON-EXECUTIVE DIRECTORS

Patrick E BOWE aged 49, is the President of Cargill Sweeteners North America and is responsible for all aspects of Cargill's sweeteners business. He holds a master's degree in economics from Standford University, the United States and has over 22 years of experience in corn milling and sweetener operations. He was appointed as an non-executive director of the Company in 2002.

Steven C WELLINGTON (alternate director to Patrick E BOWE) aged 54, is the Business Development Manager of Cargill Sweeteners North America and is responsible for the development of corn milling exports and investment opportunities in Asia. He was appointed as an alternate director of Mr. Bowe in 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Yuen Kwong aged 47, is a Certified Public Accountant and has been practising since 1990. Graduated from the University of Sunderland, the United Kingdom, he holds a Bachelor of Arts Degree in Business Studies. He has over 20 years' experience in accounting, auditing, taxation and management consulting. Mr. Lee is currently a member of the Advisory Committee on Travel Agents and board member of the Ocean Park Corporation. He was appointed as an independent non-executive director of the Company in 2001.

CHAN Man Hon, Eric aged 51, is a solicitor and has been practising in Hong Kong for over 25 years. Mr. Chan holds a bachelor's degree in law from the University of Hong Kong and a master's degree in Business Administration from The Chinese University of Hong Kong. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1981 and is a consultant of Messrs. Vincent T. K. Cheung, Yap & Co. He was appointed as an independent non-executive director of the Company in 2001.

LI Defa aged 53, is the Dean of the College of Animal Science and Technology, China Agricultural University. He has a Ph.D. in animal science from Kansas State University, the United States of America as well as a master's degree in animal science from Beijing Agricultural University. Before becoming the Dean of the College of Animal Science and Technology, China Agricultural University, Mr. Li had been a director of National Feed Engineering Technology Research Centre and Ministry of Agriculture Feed Industry Centre. He was appointed as an independent non-executive director of the Company in 2006.

SENIOR MANAGEMENT

CHEUNG Chak Fung aged 43, is the financial controller of the Group and the company secretary of the Company. He is an associate member of The Association of Chartered Certified Accountants. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. He has over 18 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial practise. He has worked with the Group since 2000.

LI Weigang aged 49, has a master's degree in banking and finance from the University of Wales, the United Kingdom, as well as a master's degree in economics from The Graduate School of Chinese Academy of Social Sciences. Prior to joining the Group as assistant general manager in May 2001, Mr. Li has held senior positions in various financial institutions in the PRC, with responsibility in corporate finance and general management.

QI Hongbin aged 41, is the dean of design and research institute and director of development centre of the Group. He holds a master's degree from the Jilin Agricultural University, specialising in mechanical engineering. He has over 10 years' experience in process engineering and technology development. He has worked with the Group over 10 years.

WANG Hui aged 42, is the director of modified starch enterprise of the Group. He graduated from the Qiqihaer University with a bachelor's degree in chemical engineering specialising in high polymer material engineering. He has worked with the Group over 10 years.

CHU Lalin aged 45, is the chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 22 years of experience in mechanical and food engineering. He has worked with the Group over 10 years.

WANG Dehui aged 39, is the chief engineer of the Group. He holds a master's degree in science from the Jilin Agricultural University and has extensive of experience in food engineering and organic engineering. He has worked with the Group over 10 years.

ZHANG Xiuzhen aged 63, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC. She has worked with the Group over 10 years.

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

CODE ON CORPORATE GOVERNANCE PRACTISES

The Board regularly reviews the Group's corporate governance guidelines and developments. It is our belief that, during the year ended 31 December 2007, the Group has endeavoured to comply with the relevant recommendations as laid down in the Code on Corporate Governance Practises (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Corporate Governance Report as set out in Appendix 23 to the Listing Rules. The Board has also reviewed the Group's corporate governance practises and is satisfied that the Group has been in full compliance with all the code provisions of the Code.

THE BOARD

Member Attendance of Board and Committee Meetings for the year 2007

	Meetings Attended and Held		
	Board Meeting	Audit Committee	Remuneration Committee
Executive Directors			
Liu Xiaoming	8/9		
Xu Zhouwen	8/9		
Kong Zhanpeng*	7/9		
Wang Tieguang	7/9		1/1
Non-Executive Directors			
Patrick E Bowe	0/9		
Steven C Wellington, (alternate director to Patrick E Bowe)	6/9		
Independent Non-Executive Directors			
Lee Yuen Kwong	6/9	2/2	1/1
Chan Man Hon, Eric	6/9	2/2	1/1
Li Defa	4/9	1/2	

As of the date of this report, the Board comprised seven Directors, being three executive Directors, one non-executive Director and three independent non-executive Directors. There is no family relationship between any of the Directors. Detailed biographies outlining each individual Directors' range of specialist experience and suitability for the successful long-term running of the Group can be found on page 13.

* Mr Kong Zhanpeng resigned on 20 September 2007

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

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Term of Appointment of Non-executive Directors

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 2007. One of the independent non-executive directors, Mr. Li Defa, is appointed for a term of two years commencing on 15 September 2006. The non-executive Director, Mr. Patrick E Bowe, is appointed for a term of two years commencing on 6 April 2006.

DIRECTORS' REMUNERATION

During the Year under review, Directors' remuneration is disclosed as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Fees	**840**	840
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**9,600**	10,320
Performance related bonuses	**20,000**	10,000
Pension scheme contributions	**44**	48
	29,644	20,368
Total	**30,484**	21,208

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 2007, the aggregate amount of the bonuses payable to the executive Directors was equivalent to 2% (2006: 2%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent Non-executive Directors

The fees paid to independent non-executive Directors during the Year were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Chan Man Hon, Eric	**360**	360
Lee Yuen Kwong	**360**	360
Li Defa	**120**	120
Total	**840**	840

There were no other emoluments payable to the independent non-executive Directors during the Year (2006: Nil).

(b) Executive Directors

	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	**Performance scheme related bonuses** *HK$'000*	**Pension contributions** *HK$'000*	**Total remuneration** *HK$'000*
2007				
Executive Directors:				
Liu Xiaoming	**3,000**	**7,000**	**12**	**10,012**
Kong Zhanpeng*	**1,440**	**—**	**8**	**1,448**
Wang Tieguang	**2,160**	**6,000**	**12**	**8,172**
Xu Zhouwen	**3,000**	**7,000**	**12**	**10,012**
Total	**9,600**	**20,000**	**44**	**29,644**
2006				
Executive Directors:				
Liu Xiaoming	3,000	3,000	12	6,012
Kong Zhanpeng*	2,160	2,000	12	4,172
Wang Tieguang	2,160	2,000	12	4,172
Xu Zhouwen	3,000	3,000	12	6,012
Total	10,320	10,000	48	20,368

* Mr. Kong Zhanpeng resigned on 20 September 2007

The Board reviewed the nomination procedures and the process and criteria adopted by the Board to select and recommend candidates for directorship in one of the Board meeting during the year.

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

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

AUDIT COMMITTEE

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

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

The Audit Committee met twice in 2007.

INTERNAL CONTROL

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

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

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

In March 2008, the Board has engaged Credit Thornton Certified Public Accountants to conduct a review of the effectiveness of the system of internal control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee.

REMUNERATION COMMITTEE

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

In 2007, the Remuneration Committee held one meeting to review and approve the Directors' and senior management's remuneration packages.

REMUNERATION POLICY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgements and estimates that are appropriate, and prepared the accounts on the going concern basis.

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

AUDITORS' REMUNERATION

For the year ended 31 December 2007, HK$5,488,000 was paid as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$1,857,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Group located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group.

	HK$'000
Taxation compliance	55
Others	1,360
Total	1,415

COMMUNICATION WITH SHAREHOLDERS

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

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

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

Based on the information that is publicly available to the Group and within the knowledge of the Directors, the Group has maintained the prescribed amount of public float during the year 2007 and up to the date of this annual report as required by the Listing Rules.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2007.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2007.

22 April 2008

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the "Company"), its subsidiaries (collectively referred to as the "Group") and its share of each jointly-controlled entity for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 98.

An interim dividend of HK1 cent per ordinary share was paid on 19 November 2007. The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year to shareholders on the register of members on 22 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND WARRANTS

Details of movements in the Company's share capital and warrants during the year are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTIONS SCHEME

The Company operates a share option scheme ("Scheme"), which was adopted pursuant to a resolution in writing passed by the then sole shareholder on 3 September 2007, for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group.

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme and any other share option scheme of the Group is 231,884,940, representing 10% of the issued share capital of the Company as at the date of this report.

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstandingoptions) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting (with such participant and his associates abstaining from voting).

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are 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 offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the board of Directors, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Scheme.

During the year, no share option was granted pursuant to the share option scheme and no share option was outstanding as at 31 December 2007.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company had reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounting to approximately HK$2,972,419,000, of which approximately HK$46,377,000 had been proposed as a final dividend for the year. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$2,107,940,000 as at 31 December 2007 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 16% of the total sales for the year and sales to the largest customer included therein accounted for 5% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 26% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 12% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:	
Liu Xiaoming	
Xu Zhouwen	
Kong Zhanpeng	(resigned on 20 September 2007)
Wang Tieguang	
Non-executive directors:	
Patrick E Bowe	
Steven C Wellington	(alternate non-executive director to Patrick E. Bowe)
Independent non-executive directors:	
Lee Yuen Kwong	
Chan Man Hon, Eric	
Li Defa	

In accordance with Articles 108(A) of the Company's articles of association, Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Two of the independent non-executive directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric, are appointed for a term of two years commencing on 1 March 2007. One of the independent non-executive directors, Mr. Li Defa, is appointed for a term of two years commencing on 16 September 2006.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 13 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Xiaoming, Mr. Wang Tieguang, Mr. Kong Zhanpeng (who resigned as director on 20 September 2007) and Mr. Xu Zhouwen have renewed the service contracts with the Company for a term of three years commencing on 1 March 2004 and expiring on 28 February 2007 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party giving not less than three months' notice in writing. The service contract with Mr. Kong Zhanpeng was terminated upon his resignation.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the annual report, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company 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 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	Notes	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Liu Xiaoming	1	13,636,000	345,600,000	359,236,000	15.5
Mr. Xu Zhouwen	2	14,040,000	211,040,000	225,080,000	9.7
Mr. Wang Tieguang	3	8,892,800	172,800,000	181,692,800	7.8
		36,568,800	729,440,000	766,008,800	33.0

Notes:

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

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

3. 172,800,000 shares are owned by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above, as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 31 December 2007, 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:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
LXM Limited	1	345,600,000	14.9
FMR LLC		231,161,600	9.97
Fidelity Management & Research Company		231,043,600	9.96
Crown Asia Profits Limited	2	211,040,000	9.1
Hartington Profits Limited	3	172,800,000	7.5
Rich Mark Profits Limited	4	172,800,000	7.5
The Bank of New York Mellon Corporation		116,796,300	5.04

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, a former executive director of the Company.

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

Save as disclosed above, as at 31 December 2007, 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.

CONTINUING CONNECTED TRANSACTIONS

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

Sales to the Mitsui Group

Mitsui & Co. Ltd. and its subsidiaries (collectively the "Mitsui Group") is one of the Group's customers and the Group has been selling its products to the Mitsui Group since 2000. During the year, the Group sold some of its products to Mitsui & Co. Ltd in its ordinary and usual course of business for an aggregate sum of approximately HK$3.7 million. The Mitsui Group held in aggregate a 49% interest in the share capital of one of the subsidiaries of the Company during the year ended 31 December 2007 and was a substantial shareholder of one of the subsidiaries of the Company. The above sales transactions ("Continuing Connected Transactions") constituted continuing connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed and confirmed that the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms; (iii) On terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and (iv) each of the assets ratio, revenue ratio and consideration ratio (as determined by Rule 14.07 of the Listing Rules) in respect of the Continuing Connected Transactions is on an annual basis less than 0.1%. 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.

Apart from the aforementioned continuing connected transactions, the related party transactions disclosed in note 33 to the financial statement are either exempt connected continuing transactions or not a connected transaction under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 36 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (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.

AUDITORS

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

ON BEHALF OF THE BOARD

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

Hong Kong
22 April 2008

ERNST & YOUNG
安永會計師事務所

To the shareholders of
Global Bio-chem Technology Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Global Bio-chem Technology Group Company Limited set out on pages 33 to 98, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

22 April 2008

	Notes	**2007 HK$'000**	2006 HK$'000
REVENUE	5	**6,796,871**	4,742,942
Cost of sales		**(5,201,191)**	(3,536,166)
Gross profit		**1,595,680**	1,206,776
Other income and gains	5	**121,634**	48,630
Gain on the spin-off of Global Sweeteners	5	**270,913**	—
Selling and distribution costs		**(372,376)**	(293,082)
Administrative expenses		**(222,657)**	(152,893)
Other expenses		**(32,575)**	(45,451)
Finance costs	7	**(265,771)**	(207,022)
PROFIT BEFORE TAX	6	**1,094,848**	556,958
Tax	10	**(114,994)**	(55,730)
PROFIT FOR THE YEAR		**979,854**	501,228
Attributable to:			
Equity holders of the Company	11	**943,486**	501,228
Minority interests		**36,368**	—
		979,854	501,228
DIVIDENDS	12		
Interim		**23,188**	23,188
Proposed final		**46,377**	46,377
		69,565	69,565
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**HK$0.407**	HK$0.216

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**7,635,769**	6,376,507
Prepaid land premiums	15	**504,706**	495,319
Deposits paid for acquisition of property, plant and equipment and land premiums		**190,236**	307,042
Goodwill	16	**360,889**	360,889
Long term loan to a jointly-controlled entity	18	**40,000**	40,000
Total non-current assets		**8,731,600**	7,579,757
CURRENT ASSETS			
Inventories	19	**1,245,823**	603,669
Trade receivables	20	**1,078,743**	375,183
Prepayments, deposits and other receivables	21	**285,699**	356,169
Due from jointly-controlled entities	18	**19,584**	23,539
Tax recoverable		**14,299**	5,842
Cash and cash equivalents	22	**2,021,812**	1,630,041
Total current assets		**4,665,960**	2,994,443
CURRENT LIABILITIES			
Trade payables	23	**468,994**	240,786
Other payables and accruals	24	**1,079,369**	1,019,929
Interest-bearing bank and other borrowings	25	**1,662,435**	3,208,809
Tax payable		**53,406**	19,170
Total current liabilities		**3,264,204**	4,488,694
NET CURRENT ASSETS/(LIABILITIES)		**1,401,756**	(1,494,251)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,133,356**	6,085,506

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,133,356**	6,085,506
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**3,140,668**	741,696
Deferred income	26	**27,480**	26,451
Due to a venturer of a jointly-controlled entity	18	**20,000**	20,000
Deferred tax liabilities	27	**59,189**	17,975
Total non-current liabilities		**3,247,337**	806,122
Net assets		**6,886,019**	5,279,384
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	**231,885**	231,885
Reserves	29(a)	**6,185,203**	5,001,122
Proposed final dividend	12	**46,377**	46,377
		6,463,465	5,279,384
Minority interests		**422,554**	—
Total equity		**6,886,019**	5,279,384

Liu Xiaoming
Director

Xu Zhouwen
Director

	Notes	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 January 2006		231,884	1,820,070	80,718	4,094	130,662	2,436,361	34,783	4,738,572
Exchange realignment		—	—	—	—	97,425	—	—	97,425
Total income directly recognised in equity		—	—	—	—	97,425	—	—	97,425
Profit for the year		—	—	—	—	—	501,228	—	501,228
Final 2005 dividend paid		—	—	—	—	—	—	(34,783)	(34,783)
Share subscription and placement	28	1	129	—	—	—	—	—	130
Interim 2006 dividend	12	—	—	—	—	—	(23,188)	—	(23,188)
Proposed final 2006 dividend	12	—	—	—	—	—	(46,377)	46,377	—
Transfer from retained profits		—	—	—	72,401	—	(72,401)	—	—
At 31 December 2006		231,885	1,820,199*	80,718*	76,495*	228,087*	2,795,623*	46,377	5,279,384

	Notes	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		231,885	1,820,199	80,718	76,495	228,087	2,795,623	46,377	5,279,384	—	5,279,384
Surplus on revaluation		—	—	60,374	—	—	—	—	60,374	—	60,374
Exchange realignment		—	—	—	—	249,780	—	—	249,780	—	249,780
Total income directly recognised in equity		—	—	60,374	—	249,780	—	—	310,154	—	310,154
Spin-off of Global Sweeteners		—	—	—	—	—	—	—	—	386,186	386,186
Profit for the year		—	—	—	—	—	943,486	—	943,486	36,368	979,854
Final 2006 dividend paid		—	—	—	—	—	—	(46,377)	(46,377)	—	(46,377)
Share subscription and placement	28	—	6	—	—	—	—	—	6	—	6
Interim 2007 dividend	12	—	—	—	—	—	(23,188)	—	(23,188)	—	(23,188)
Proposed final 2007 dividend	12	—	—	—	—	—	(46,377)	46,377	—	—	—
Transfer from retained profits		—	—	—	82,956	—	(82,956)	—	—	—	—
At 31 December 2007		231,885	1,820,205*	141,092*	159,451*	477,867*	3,586,588*	46,377	6,463,465	422,554	6,886,019

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

* These reserve accounts comprise the consolidated reserves of the Group of HK$6,185,203,000 (2006: HK$5,001,122,000) on the consolidated balance sheet as at 31 December 2007.

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,094,848**	556,958
Adjustments for:			
Finance costs	7	**265,771**	191,522
Write-off/amortisation of the arrangement fee	7	**—**	15,500
Interest income	5	**(34,744)**	(10,586)
(Gain)/loss on disposal of items of property, plant and equipment	5&6	**(3,229)**	775
Gain on the spin-off of Global Sweeteners	30	**(270,913)**	—
Depreciation	6	**362,511**	282,030
Amortisation of prepaid land premiums	6	**15,839**	13,444
Impairment/write-off of trade receivables	6	**2,053**	7,945
Impairment/write-off of other receivables	6	**1,723**	—
Write-down of inventories to net realisable value	6	**13,888**	14,153
Overaccrual of trade payables and other payables in previous years		**(13,311)**	—
Amortisation of deferred income	26	**(625)**	—
		1,433,811	1,071,741
Increase in inventories		**(618,313)**	(95,593)
Increase in trade receivables		**(683,887)**	(71,301)
Decrease/(increase) in prepayments, deposits and other receivables		**95,130**	(160,796)
Increase/(decrease) in trade payables		**213,159**	(82,689)
Increase in other payables and accruals		**(3,969)**	7,934
Repayments from/(advances to) jointly-controlled entities		**3,955**	(66,952)
Cash generated from operations		**439,886**	602,344
Interest received		**34,744**	10,586
Hong Kong profits taxes paid		**(10,933)**	(5,164)
Overseas taxes paid		**(63,008)**	(25,212)
Net cash inflow from operating activities		**400,689**	582,554

	Notes	2007 HK$'000	2006 HK$'000
Net cash inflow from operating activities		**400,689**	582,554
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(998,037)**	(1,374,160)
Proceeds from disposal of items of property, plant and equipment		**10,128**	332
Payment of land premiums	15	**(2,714)**	(1,474)
Acquisition of a minority interest	30	**—**	(262,353)
Acquisition of a subsidiary	30	**—**	(3,875)
Receipt of government grants	26	**—**	26,451
Net cash outflow from investing activities		**(990,623)**	(1,615,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**6**	130
Proceeds from the spin-off of Global Sweeteners	30	**657,099**	—
New bank loans		**5,644,481**	2,873,920
New other loans		**—**	24,866
Repayment of bank loans		**(3,805,156)**	(2,065,586)
Repayment of other loans		**(1,187,278)**	—
Interest paid		**(267,814)**	(241,849)
Dividends paid		**(69,565)**	(57,971)
Net cash inflow from financing activities		**971,773**	533,510
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**381,839**	(499,015)
Cash and cash equivalents at beginning of year		**1,630,041**	2,066,424
Effect of foreign exchange rate changes, net		**9,932**	62,632
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,021,812**	1,630,041
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	22		
Cash and bank balances		**1,988,328**	1,630,041
Non-pledged time deposits with original maturity of less than three months when acquired		**33,484**	—
		2,021,812	1,630,041

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**326,534**	305,585
Total non-current assets		**326,534**	305,585
CURRENT ASSETS			
Due from subsidiaries	17	**2,905,224**	2,940,595
Prepayments, deposits and other receivables	21	**425**	—
Cash and cash equivalents	22	**451,393**	841,146
Total current assets		**3,357,042**	3,781,741
CURRENT LIABILITIES			
Other payables and accruals	24	**15,522**	18,309
Interest-bearing bank and other borrowings	25	**—**	1,162,500
Total current liabilities		**15,522**	1,180,809
NET CURRENT ASSETS		**3,341,520**	2,600,932
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,668,054**	2,906,517
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**445,625**	—
Financial guarantee contracts		**18,125**	7,327
Total non-current liabilities		**463,750**	7,327
Net assets		**3,204,304**	2,899,190
EQUITY			
Issued capital	28	**231,885**	231,885
Reserves	29(b)	**2,926,042**	2,620,928
Proposed final dividend	12	**46,377**	46,377
Total equity		**3,204,304**	2,899,190

Liu Xiaoming
Director

Xu Zhouwen
Director

1. CORPORATE INFORMATION

Global Bio-Chem Technology Group Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sales 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.

During the current year, certain subsidiaries of the Group underwent a group reorganisation (the "Group Reorganisation") for the purpose of the spin-off. These subsidiaries were principally engaged in the manufacture and sales of corn sweeteners in Mainland China. Global Sweeteners Holdings Limited ("Global Sweeteners") became the holding company of this subsidiary group (the "Global Sweeteners Group") on 24 August 2007 upon the completion of the Group Reorganisation. On 20 September 2007, the shares of Global Sweeteners were listed on the Main Board of the Stock Exchange.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries (collectively referred to as the "Group") and its share of each jointly-controlled entity for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK (IFRIC)-Int 8	*Scope of HKFRS 2*
HK (IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK (IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements — Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 35 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group has not issued equity instruments, the interpretation has had no effect on these financial statements.

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

(d) **HK(IFRIC)-Int 9** *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) **HK(IFRIC)-Int 10** *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKFRS 2 Amendment	*Share-Based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKFRS 3 (Revised)	*Business Combinations5*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

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

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Group has not entered into share-based payment schemes with nonvesting conditions attached, the amendment is not expected to have any financial impact on the Group.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revisions to HKFRS 3 and HKAS 27 will be applied by the Group prospectively as required under the revised standards and will affect future acquisitions and transactions of the Group with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

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

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures (Continued)

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

A joint venture is treated as:

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

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

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

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

Jointly-controlled entities

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

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practise 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the consolidated income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets other than goodwill (Continued)

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Leasehold buildings	2% to 3.4%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

Intangible assets (other than goodwill)

Research and development costs

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

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

Operating leases

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

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets;* and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue.*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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 credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

Employee benefits

Pension schemes and other retirement benefits

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with a similar asset that is used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of property, plant and equipment. This requires an estimation of the value in use of property, plant and equipment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 31 December 2007 was HK$7,635,769,000. Further details are given in note 14.

Impairment of trade receivables

The policy for provision for impairment loss of the Group is based on the evaluation of collectability, the aged analysis of trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty (Continued)

Allowances for inventories

The Management of the Group reviews an aged analysis of its inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$360,889,000 (2006: HK$360,889,000). More details are given in note 16 to the financial statements.

4. SEGMENT INFORMATION

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

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

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

(b) the corn based biochemical products segment comprises the manufacture and sale of modified starch, corn sweeteners, amino acids and polyol chemical 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 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 a cost plus mark-up basis which is determined by Management.

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,882,646**	1,616,007	**4,914,225**	3,126,935	**—**	—	**6,796,871**	4,742,942
intersegment sales	**2,258,969**	1,339,589	**—**	—	**(2,258,969)**	(1,339,589)	**—**	—
Total	**4,141,615**	2,955,596	**4,914,225**	3,126,935	**(2,258,969)**	(1,339,589)	**6,796,871**	4,742,942
Segment results	**342,160**	315,543	**1,014,817**	482,315	**—**	—	**1,356,977**	797,858
Unallocated revenue							**74,433**	16,156
Unallocated expenses							**(70,791)**	(50,034)
Profit from operating activities							**1,360,619**	763,980
Finance costs							**(265,771)**	(207,022)
Profit before tax							**1,094,848**	556,958
Tax							**(114,994)**	(55,730)
Profit for the year							**979,854**	501,228
Attributable to:								
Equity holders of the Company							**979,854**	501,228
Minority interests							**(36,368)**	—
							943,486	501,228
Assets and liabilities								
Segment assets	**3,589,432**	2,589,679	**7,711,185**	6,297,431	**—**	—	**11,300,617**	8,887,110
Due from jointly-controlled entities							**59,584**	63,539
Unallocated assets							**2,037,359**	1,623,551
Total assets							**13,397,560**	10,574,200
Segment liabilities	**289,910**	209,866	**919,137**	686,119	**—**	—	**1,209,047**	895,985
Interest-bearing bank and other borrowings							**4,803,103**	3,950,505
Unallocated liabilities							**499,391**	448,326
Total liabilities							**6,511,541**	5,294,816
Other segment information:								
Capital expenditure, including payment of land premiums	**107,526**	32,878	**927,430**	1,272,142	**—**	—	**1,034,956**	1,305,020
Depreciation	**108,256**	85,581	**254,255**	196,449	**—**	—	**362,511**	282,030
Amortisation of prepaid land premiums	**4,458**	3,815	**11,381**	9,629	**—**	—	**15,839**	13,444
Impairment/write-off of trade receivables	**2,053**	—	**—**	7,945	**—**	—	**2,053**	7,945
Impairment/write-off of other receivables	**1,723**	—	**—**	—			**1,723**	—
Write-down of inventories to net realisable value	**842**	665	**13, 046**	13,488	**—**	—	**13,888**	14,153
Gain on the spin-off of Global Sweeteners	**—**	—	**270,913**	—	**—**	—	**270,913**	—

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following table presents revenue and certain expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group	Mainland China		Countries other than Mainland China		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**5,295,413**	3,603,104	**1,501,458**	1,139,838	**—**	—	**6,796,871**	4,742,942
Other segment information:								
Capital expenditure, including payments of land premiums	**1,034,956**	1,305,020	**—**	—	**—**	—	**1,034,956**	1,305,020
Depreciation	**361,896**	281,909	**615**	121	**—**	—	**362,511**	282,030
Amortisation of prepaid land premiums	**15,393**	12,992	**446**	452	**—**	—	**15,839**	13,444
Impairment/write-off of trade receivables	**2,053**	7,945	**—**	—	**—**	—	**2,053**	7,945
Impairment/write-off of other receivables	**1,723**	—	**—**	—	**—**	—	**1,723**	—
Write-down of inventories to net realisable value	**13,888**	14,153	**—**	—	**—**	—	**13,888**	14,153
Gain on the spin-off of Global Sweeteners	**—**	—	**270,913**	—	**—**	—	**270,913**	—

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**6,796,871**	4,742,942
Other income		
Bank interest income	**34,744**	10,586
Net profit arising from the sales of packing materials and by-products	**19,926**	12,628
Government grants*	**7,707**	7,230
Excess over the cost of a business combination	**—**	215
Sales of utilities	**2,474**	1,035
Others	**17,093**	3,046
	81,944	34,740
Gains		
Exchange differences	**36,461**	13,890
Gain on disposal of items of property, plant and equipment	**3,229**	—
	121,634	48,630
Gain on the spin-off of Global Sweeteners	**270,913**	—

* Government grants represented tax refund awards to certain subsidiaries located in Mainland China according to the notice of local tax bureau on an annual basis.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**3,830,418**	2,508,227
Depreciation	14	**362,511**	282,030
Amortisation of prepaid land premiums	15	**15,839**	13,444
Research and development costs		**3,229**	10,207
Auditors' remuneration		**9,196**	6,728
Employee benefits expenses (excluding directors' remuneration (note 8)):			
Wages and salaries		**106,098**	104,539
Pension scheme contributions		**17,526**	225
		123,624	104,764
Impairment of trade receivables		**2,053**	7,945
Impairment of other receivables		**1,723**	—
Write-down of inventories to net realisable value		**13,888**	14,153
Loss on disposal of items of property, plant and equipment		**—**	775

7. FINANCE COSTS

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Write-off/amortisation of the arrangement fee		**—**	15,500
Interest on bank loans wholly repayable within five years		**274,663**	223,587
Finance costs for discounted notes receivable		**9,164**	2,321
		283,827	241,408
Less: Interest capitalised	14	**(15,018)**	(34,386)
Interest subsidy		**(3,038)**	—
		265,771	207,022

8. DIRECTORS' REMUNERATION

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

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Fees	(a)	**840**	840
Other emoluments:	(b)		
Basic salaries, housing benefits, other allowances and benefits in kind		**9,600**	10,320
Performance related bonuses		**20,000**	10,000
Pension scheme contributions		**44**	48
		29,644	20,368
		30,484	21,208

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 2007, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 2% (2006: 2%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent non-executive directors

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

	2007	2006
	HK$'000	*HK$'000*
Mr. Chan Man Hon, Eric	**360**	360
Mr. Lee Yuen Kwong	**360**	360
Mr. Li Defa	**120**	120
	840	840

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2007				
Executive directors:				
Mr. Liu Xiaoming	**3,000**	**7,000**	**12**	**10,012**
Mr. Kong Zhanpeng	**1,440**	**—**	**8**	**1,448**
Mr. Wang Tieguang	**2,160**	**6,000**	**12**	**8,172**
Mr. Xu Zhouwen	**3,000**	**7,000**	**12**	**10,012**
	9,600	**20,000**	**44**	**29,644**
2006				
Executive directors:				
Mr. Liu Xiaoming	3,000	3,000	12	6,012
Mr. Kong Zhanpeng	2,160	2,000	12	4,172
Mr. Wang Tieguang	2,160	2,000	12	4,172
Mr. Xu Zhouwen	3,000	3,000	12	6,012
	10,320	10,000	48	20,368

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. Mr. Kong Zhanpeng resigned on 20 September 2007.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2006: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2006: one) non-director, highest paid employee for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,200**	1,430
Pension scheme contributions	**—**	12
	1,200	1,442

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practises in respect thereof.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current — Hong Kong	**(36)**	6,511
Current — Elsewhere	**101,816**	46,094
Deferred (note 27)	**13,214**	3,125
Total tax charge for the year	**114,994**	55,730

10. TAX (CONTINUED)

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

Group — 2007	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit before tax	**84,689**		**1,010,159**		**1,094,848**	
Tax at the statutory rate	**14,821**	**17.5**	**333,352**	**33.0**	**348,173**	**31.8**
Preferential tax rate offered	**—**	**—**	**(181,829)**	**(18.0)**	**(181,829)**	**(16.6)**
Lower tax rate for tax relief granted	**—**	**—**	**(37,339)**	**(3.7)**	**(37,339)**	**(3.4)**
Income not subject to tax	**(18,647)**	**(22.0)**	**(22,317)**	**(2.2)**	**(40,964)**	**(3.7)**
Tax losses not recognised	**715**	**0.8**	**16,642**	**1.6**	**17,357**	**1.5**
Expenses not deductible for tax	**6,384**	**7.5**	**4,045**	**0.4**	**10,429**	**1.0**
Effect on deferred tax liabilities due to changes in tax rates (note 27)	**—**	**—**	**13,095**	**1.3**	**13,095**	**1.2**
Tax losses utilised from previous periods	**—**	**—**	**(10,619)**	**(1.0)**	**(10,619)**	**(1.0)**
Tax charge at the Group's effective rate	**3,273**	**3.8**	**115,030**	**11.4**	**118,303**	**10.8**
Reversal of overaccrued tax related to the prior year	**(3,309)**	**(3.9)**	**—**	**—**	**(3,309)**	**(0.3)**
Total tax charge for the year	**(36)**	**(0.1)**	**115,030**	**11.4**	**114,994**	**10.5**

10. TAX (CONTINUED)

Group — 2006	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(77,008)		633,966		556,958	
Tax at the statutory rate	(13,476)	17.5	209,209	33.0	195,733	35.1
Preferential tax rate offered	—	—	(101,185)	(16.0)	(101,185)	(18.2)
Lower tax rate for tax relief granted	—	—	(81,790)	(12.9)	(81,790)	(14.7)
Income not subject to tax	(1,944)	2.5	(4,765)	(0.8)	(6,709)	(1.2)
Tax losses not recognised	188	(0.2)	25,811	4.1	25,999	4.7
Expenses not deductible for tax	21,743	(28.3)	2,052	0.3	23,795	4.3
Tax losses utilised from previous periods	—	—	(113)	—	(113)	—
Tax charge at the Group's effective rate	6,511	(8.5)	49,219	7.8	55,730	10.0

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$374,673,000 (2006: HK$555,576,000) has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDENDS

	2007 **HK$'000**	2006 HK$'000
Interim — HK1 cent (2006: HK1 cent) per ordinary share	**23,188**	23,188
Proposed final — HK2 cents (2006: HK2 cents) per ordinary share	**46,377**	46,377
	69,565	69,565

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

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

The calculations of basic earnings per share and diluted earnings per share are based on the consolidated profit for the year attributable to ordinary equity holders of the Company of approximately HK$943,486,000 (2006: HK$501,228,000), and the weighted average number of 2,318,849,199 (2006: 2,318,848,802) ordinary shares in issue during the year.

Since there were no significant dilutive potential ordinary shares outstanding during the year, the diluted earnings per share amount was equal to the basic earnings per share amount for the year ended 31 December 2007.

As the exercise price of the warrants was higher than the average market price of the Company's ordinary shares during the year ended 31 December 2006, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding warrants during the year ended 31 December 2006. Therefore, the diluted earnings per share amount was equal to the basic earnings per share amount for the year ended 31 December 2006.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements, furniture, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2007					
At 31 December 2006 and at 1 January 2007:					
Cost or valuation	2,270,236	3,383,975	104,226	1,503,375	7,261,812
Accumulated depreciation	(100,495)	(730,304)	(54,506)	—	(885,305)
Net carrying amount	2,169,741	2,653,671	49,720	1,503,375	6,376,507
At 1 January 2007, net of accumulated depreciation	2,169,741	2,653,671	49,720	1,503,375	6,376,507
Additions	22,718	31,828	16,638	1,077,864	1,149,048
Surplus on revaluation	88,374	—	—	—	88,374
Disposals	—	(3,398)	(3,501)	—	(6,899)
Depreciation provided during the year	(74,562)	(268,844)	(19,105)	—	(362,511)
Transfers	567,034	868,640	865	(1,436,539)	—
Exchange realignment	129,451	170,579	3,106	88,114	391,250
At 31 December 2007, net of accumulated depreciation	2,902,756	3,452,476	47,723	1,232,814	7,635,769
At 31 December 2007:					
Cost or valuation	3,084,763	4,495,802	119,130	1,232,814	8,932,509
Accumulated depreciation and impairment	(182,007)	(1,043,326)	(71,407)	—	(1,296,740)
Net carrying amount	2,902,756	3,452,476	47,723	1,232,814	7,635,769
Analysis of cost or valuation:					
At cost	—	4,495,802	119,130	1,232,814	5,847,746
At 31 December 2007 valuation	3,084,763	—	—	—	3,084,763
	3,084,763	4,495,802	119,130	1,232,814	8,932,509

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements, furniture, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2006					
At 31 December 2005 and at 1 January 2006:					
Cost or valuation	1,606,955	2,694,546	83,777	1,547,733	5,933,011
Accumulated depreciation	(47,284)	(510,181)	(37,456)	—	(594,921)
Net carrying amount	1,559,671	2,184,365	46,321	1,547,733	5,338,090
At 1 January 2006, net of accumulated depreciation	1,559,671	2,184,365	46,321	1,547,733	5,338,090
Additions	220	33,691	13,965	1,132,501	1,180,377
Acquisition of a subsidiary (note 30)	—	—	—	38,188	38,188
Disposals	—	—	(1,107)	—	(1,107)
Depreciation provided during the year	(51,951)	(212,740)	(17,339)	—	(282,030)
Transfers	633,092	608,830	6,974	(1,248,896)	—
Exchange realignment	28,709	44,313	906	29,061	102,989
At 31 December 2006, net of accumulated depreciation	2,169,741	2,658,459	49,720	1,498,587	6,376,507
At 31 December 2006:					
Cost or valuation	2,270,236	3,383,975	104,226	1,503,375	7,261,812
Accumulated depreciation	(100,495)	(730,304)	(54,506)	—	(885,305)
Net carrying amount	2,169,741	2,653,671	49,720	1,503,375	6,376,507
Analysis of cost or valuation:					
At cost	663,281	3,383,975	104,226	1,503,375	5,654,857
At 31 December 2005 valuation	1,606,955	—	—	—	1,606,955
	2,270,236	3,383,975	104,226	1,503,375	7,261,812

The Group's leasehold buildings with the shorter of the lease terms or 50 years were stated at the most recent valuation less accumulated depreciation and impairment.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2007, the Group's leasehold buildings were revalued on an open market value basis by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at about HK$3,084,763,000. A surplus on revaluation of about HK$88,374,000 arising from the 2007 valuation net of deferred tax liabilities of HK$14,905,000 had been credited to the asset revaluation reserve during the year ended 31 December 2007. At 31 December 2006, the Group's leasehold buildings were stated at the 2005 valuation conducted by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, less accumulated depreciation provided since the 2005 valuation. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2006, no revaluation has been performed as at this date.

Prior to its transfer to other categories of property, plant and equipment, the carrying amount of construction in progress included capitalised interest of approximately HK$15,018,000 (2006: HK$34,386,000).

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$2,740,040,000 (2006: HK$2,095,429,000).

At 31 December 2007, certain leasehold building and prepaid land premiums of the Group was pledged to secure banking facilities granted to the Group amounting to approximately HK$21,070,000 (2006: HK$61,939,000) (note 25).

At 31 December 2007, the Group has not obtained for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$1,644,199,000 (2006: HK$1,264,239,000). The directors considered that there was no potential risks given the Group has obtained all certificates for the underlying land use rights.

15. PREPAID LAND PREMIUMS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**508,763**	512,406
Additions	**2,714**	1,474
Amortised during the year	**(15,839)**	(13,444)
Exchange realignment	**24,907**	8,327
Carrying amount at 31 December	**520,545**	508,763
Current portion included in prepayments, deposits and other receivables	**(15,839)**	(13,444)
Non-current portion	**504,706**	495,319

The leasehold land with the shorter of the lease terms or 50 years are situated outside Hong Kong.

16. GOODWILL

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January		
Cost	**360,889**	357,014
Accumulated impairment	**—**	—
Carrying amount	**360,889**	357,014
Acquisition of a subsidiary	**—**	3,875
At 31 December	**360,889**	360,889

Impairment testing of goodwill

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

	Goodwill
	HK$'000
Corn refinery plants	162,640
Lysine plants	25,927
Changchun Dihao Foodstuff Development Co., Ltd.	155,986
Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd.	12,461
Global Polyol Investments Limited	3,875
	360,889

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 7.1% (2006: 7.0%). No growth has been projected beyond the five-year period.

Key assumptions were used in the value in use calculation of the corn refinery plants and other corn based bio-chemical plants cash-generating units for 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

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

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

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**326,534**	305,585

The amounts due from subsidiaries included in the Company's current assets of HK$2,905,224,000 (2006: HK$2,940,595,000) are unsecured, interest-free and have no fixed terms of repayment.

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
Global Sweeteners	Cayman Islands	Ordinary HK$104,500,000	67	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd.*	Mainland China	US$12,000,000	100	Manufacture and sales of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.*	Mainland China	RMB154,645,600	100	Manufacture and sales of corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.*	Mainland China	RMB153,940,000	100	Manufacture and sales of corn refined products

17. 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 Fermentation Technology Development Co., Ltd.*	Mainland China	US$2,000,000	100	Manufacture and sales of corn based biochemical products
Changchun Dacheng New Polyol Development Co., Ltd.*	Mainland China	US$2,000,000	100	Manufacture and sales of corn based biochemical products
Changchun Dacheng Starch Development Co., Ltd.*	Mainland China	RMB54,400,000	100	Manufacture and sales of corn refined products
Changchun Dahe Bio Technology Development Co., Ltd.*	Mainland China	US$11,672,000	100	Manufacture and sales of corn based biochemical products
Changchun Dacheng Special Corn and Modified Starch Development Co., Ltd.*	Mainland China	RMB99,250,000	100	Manufacture and sales of corn based biochemical products
Changchun Dihao Foodstuff Development Co., Ltd.*	Mainland China	RMB81,000,000	67	Manufacture and sales of corn based sweetener products
Changchun Jincheng Corn Development Co., Ltd.*	Mainland China	RMB98,700,000	100	Manufacture and sales of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.*	Mainland China	US$6,000,000	100	Manufacture and sales of corn based biochemical products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	Mainland China	US$12,659,400	100	Manufacture and sales of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	Mainland China	US$2,668,000	67	Manufacture and sales of corn based sweeteners
Changchun GBT Bio-Chemical Co., Ltd.*	Mainland China	US$32,000,000	100	Manufacture and sales of corn based biochemical products
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	Mainland China	RMB193,000,000	100	Investment holding
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.*	Mainland China	HK$18,000,000	100	Manufacture and sales of corn based biochemical products

17. 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 Bio-tech Development Co., Ltd.*/@	Mainland China	RMB233,601,000	90	Manufacture and sales of corn based biochemical products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	Mainland China	US$16,200,000	67	Manufacture and sales of crystallised sugar
Jinzhou Dacheng Food Development Co., Ltd.*/@	Mainland China	US$2,770,000	67	Manufacture and sales of corn based sweetener products

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

@ Established during the year.

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

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A VENTURER OF A JOINTLY-CONTROLLED ENTITY

	Group	
	2007	2006
	HK$'000	*HK$'000*
Long term loan advanced to a jointly-controlled entity	**40,000**	40,000
Short term balances due from jointly-controlled entities	**19,584**	23,539
Due to a venturer of a jointly-controlled entity	**20,000**	20,000

The long term loan advanced to a jointly-controlled entity is unsecured, interest-free and repayable in 2101 or upon the liquidation, winding-up or dissolution of this jointly-controlled entity, whenever is earlier. The loan to a jointly-controlled entity represented a quasi-equity loan which is stated at cost less impairment.

The short term balances due from jointly-controlled entities are unsecured, interest-free and are repayable within one year. The carrying amounts of the short term balance approximate to their fair values.

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A VENTURER OF A JOINTLY-CONTROLLED ENTITY (CONTINUED)

Since the Group has no legal right to offset the long term loan advanced to a jointly-controlled entity against the venturer's share of liability of that jointly-controlled entity, the balances were not eliminated.

Particulars of the jointly-controlled entities are as follows:

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

* Remaining 49% equity interest was acquired by a subsidiary of Global Sweeteners subsequent to the balance sheet date (note 36).

All of the above investments in jointly-controlled entities are indirectly held by the Company through Global Sweeteners in which the Company holds 67% interest of the shares.

18. DUE FROM JOINTLY-CONTROLLED ENTITIES/DUE TO A VENTURER OF A JOINTLY-CONTROLLED ENTITY (CONTINUED)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities, which have been proportionately consolidated:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**71,717**	65,895
Non-current assets	**70,246**	68,897
Current liabilities	**(53,336)**	(60,099)
Non-current liabilities	**—**	(6,941)
Net assets	**88,627**	67,752
Share of the jointly-controlled entities' results:		
Revenue	**173,846**	142,883
Other income	**2,175**	1,696
Total revenue	**176,021**	144,579
Total expenses	**(167,263)**	(125,877)
Tax	**—**	—
Profit after tax	**8,758**	18,702

19. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**815,220**	462,131
Finished goods	**430,603**	141,538
	1,245,823	603,669

20. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**1,089,440**	386,721
Impairment	**(10,697)**	(11,538)
	1,078,743	375,183

The Group normally allows credit terms of 90 days to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**615,690**	233,791
1 to 2 months	**250,522**	57,666
2 to 3 months	**92,293**	36,289
Over 3 months	**120,238**	47,437
	1,078,743	375,183

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**11,538**	3,529
Impairment losses recognised	**2,053**	7,945
Amount written off as uncollectible	**(3,616)**	—
Exchange realignment	**722**	64
	10,697	11,538

20. TRADE RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a fully provision for individually impaired trade receivables of HK$10,697,000 (2006: HK$11,538,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables is expected to be unrecovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**958,505**	327,746
Less than 1 month past due	**67,071**	33,547
1 to 3 months past due	**53,167**	13,890
	1,078,743	375,183

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**121,219**	208,746	**294**	—
Deposits and other receivables	**164,480**	147,423	**131**	—
	285,699	356,169	**425**	—

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**1,988,328**	1,630,041	**451,393**	841,146
Time deposits	**33,484**	—	**—**	—
Cash and cash equivalents	**2,021,812**	1,630,041	**451,393**	841,146

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$911,243,000 (2006: HK$657,502,037). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

23. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**361,509**	145,426
1 to 2 months	**28,106**	19,747
2 to 3 months	**13,108**	12,677
Over 3 months	**66,271**	62,936
	468,994	240,786

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Payables for purchases of machinery	**185,468**	268,968	**—**	—
Customer deposits/ receipts in advance	**425,752**	237,160	**—**	—
Consideration payable for acquisition of Dacheng Industrial*	**306,238**	366,433	**—**	—
Accruals	**85,725**	70,631	**698**	14,863
Others	**76,186**	76,737	**14,824**	3,446
	1,079,369	1,019,929	**15,522**	18,309

* It represented the unpaid consideration for the acquisition of Dacheng Industrial in 2005. The amount is unsecured, interest-free and has no fixed terms of repayment.

Save as disclosed above, other payables are non-interest-bearing and have an average repayment term of three months.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Effective interest rate %	**Maturity**	***HK$'000***	Effective interest rate %	Maturity	*HK$'000*
Current						
Bank loans — secured	**5.38**	**2008**	**1,711**	5.38	2007	19,608
Bank loans — unsecured	**5.48–7.29**	**2008**	**1,656,001**	5.12–6.73	2007	3,159,870
Other loans — unsecured	**—**	**2008**	**4,723**	—	2007	29,331
			1,662,435			3,208,809
Non-current						
Bank loans — secured	**5.38**	**2009–2011**	**5,200**	5.58–6.30	2008–2009	—
Bank loans — unsecured	**6.30–8.16/ LIBOR+0.88%**	**2009–2011**	**3,135,468**			741,696
			3,140,668			741,696
			4,803,103			3,950,505

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Company

	2007			2006		
	Effective interest rate %	**Maturity**	***HK$'000***	Effective interest rate %	Maturity	*HK$'000*
Current						
Bank loans — unsecured	**—**	**—**	**—**	—	2007	1,162,500
			—			1,162,500
Non-current						
Bank loans — unsecured	**LIBOR+0.88%**	**2009**	**445,625**	—	—	—
			445,625			1,162,500

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**1,657,712**	3,179,478	**—**	1,162,500
In the second year	**2,981,113**	536,314	**445,625**	—
In the third to fifth years, inclusive	**159,555**	205,382	**—**	—
	4,798,380	3,921,174	**445,625**	1,162,500
Other borrowings repayable:				
Within one year or on demand	**4,723**	29,331	**—**	—
	4,803,103	3,950,505	**445,625**	1,162,500

At 31 December 2007, the Group's mortgage loan facility was secured by certain leasehold buildings and prepaid land premiums amounting to approximately HK$21,070,000 (2006: HK$61,939,000).

At 31 December 2007, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group of approximately HK$4,627,045,000 (2006: HK$4,129,823,000) and approximately HK$673,100,000 (2006: HK$1,008,333,000), respectively.

26. DEFERRED INCOME

The table below presents the movements of deferred income:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**26,451**	—
Additions	**—**	26,451
Amortised during the year	**(625)**	—
Exchange realignment	**1,654**	—
At 31 December	**27,480**	26,451

The balance represented the receipt of a government grant for the construction of certain of the Group's production plants, which has been credited as a non-current liability on the consolidated balance sheet. Such deferred income is amortised on a straight line basis to the consolidated income statement over the expected useful lives of the relevant assets acquired.

27. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Group	**Depreciation allowance in excess of related depreciation** *HK$'000*	**Revaluation of properties** *HK$'000*	**Total** *HK$'000*
At 1 January 2006	—	14,850	14,850
Deferred tax charged to:			
— consolidated income statement during the year (note 10)	3,125	—	3,125
At 31 December 2006 and 1 January 2007	3,125	14,850	17,975
Deferred tax charged to:			
— consolidated income statement during the year (note 10)	13,214	—	13,214
— asset revaluation reserve	—	28,000	28,000
At 1 December 2007	16,339	42,850	59,189

27. DEFERRED TAX LIABILITIES (CONTINUED)

The Group had tax losses arising in Hong Kong of approximately HK$5,160,000 (2006: HK$1,074,000) that were available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. The Group had tax losses arising in Mainland China of approximately HK$95,527,000 (2006: HK$86,375,000) which would expire by the year ending 31 December 2011. In the opinion of the directors, deferred tax assets have not been recognised as the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March, 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved and became effective on 1 January 2008. The New CIT Law establishes a unified 25% tax rate for both domestic enterprises and foreign invested enterprises. According to the Implementation Rules of the Grandfathering Relief under the New CIT Law, Guofa (2007) No. 39 issued by the State Council, the reduced tax rate of 15% under the old laws will gradually increase to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Before 2007, deferred tax liabilities were recognised based on the applicable income tax rate of the respective companies. In 2007, according to the New CIT Law, the Group recognised deferred tax liabilities based on the applicable income tax rate when the taxable temporary differences are expected to be reversed which was 25%.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or jointly-controlled entities 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.

28. SHARE CAPITAL

Shares	**2007** ***HK$'000***	2006 *HK$'000*
Authorised: 10,000,000,000 (2006: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid: 2,318,849,403 (2006: 2,318,848,802) ordinary shares of HK$0.10 each	**231,885**	231,885

28. SHARE CAPITAL (CONTINUED)

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

Company	Number of shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 31 December 2005 and 1 January 2006	2,318,835,552	231,884	2,107,805	2,339,689
Warrants exercised	13,250	1	129	130
At 31 December 2006	2,318,848,802	231,885	2,107,934	2,339,819
At 31 December 2006 and 1 January 2007	2,318,848,802	231,885	2,107,934	2,339,819
Warrants exercised	601	—	6	6
At 31 December 2007	2,318,849,403	231,885	2,107,940	2,339,825

Warrants

On 30 March 2004, the Company granted one bonus warrant for every eight ordinary shares of HK$0.10 each in the share capital of the Company, to the shareholders whose names appeared 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. During the year, 601 warrants were exercised for 601 ordinary shares which resulted in the issue of 601 ordinary shares of the Company amounting to HK$60 and share premium of HK$5,830.

At the balance sheet date, the Company had no warrants outstanding as the subscription rights attaching to the warrants expired on 31 May 2007.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 36 of the financial statements.

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.

29. RESERVES (CONTINUED)

(b) Company

	Note	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
As previously reported at 1 January 2006		2,107,805	23,382	2,131,187
Prior year adjustments for the adoption of HKAS 39		—	3,601	3,601
As restated, after prior year adjustments at 1 January 2006		2,107,805	26,983	2,134,788
Warrants exercised		129	—	129
Profit for the year		—	555,576	555,576
Interim 2006 dividend	12	—	(23,188)	(23,188)
Proposed final 2006 dividend	12	—	(46,377)	(46,377)
At 31 December 2006		2,107,934	512,994	2,620,928
At 31 December 2006 and at 1 January 2007		2,107,934	512,994	2,620,928
Warrants exercised		6	—	6
Profit for the year		—	374,673	374,673
Interim 2007 dividend	12	—	(23,188)	(23,188)
Proposed final 2007 dividend	12	—	(46,377)	(46,377)
At 31 December 2007		2,107,940	818,102	2,926,042

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

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

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

Spin-off of Global Sweeteners

During the current year, certain subsidiaries of the Group underwent the Reorganisation for the purpose of the spin-off. These subsidiaries were principally engaged in the manufacture and sales of corn sweeteners in the Mainland China. Upon the completion of the Reorganisation, Global Sweeteners acquired all subsidiaries from the Group by swap of shares and became the holding company of this subsidiary group on 24 August 2007. On 20 September 2007, 300 million ordinary shares of HK$0.1 each were issued and offered by Global Sweeteners at a price of HK$2.04 each under the public offer and the placing (the "Share Offer"). The Company's indirect interest in Global Sweeteners was reduced from 100% to 70% on 20 September 2007.

On 12 October 2007, an additional 45,000,000 ordinary shares of HK$0.1 each were issued and offered by Global Sweeteners at a price of HK$2.04 each for subscription upon the exercise of the Over-allotment Option (details please refer to the prospectus of Global Sweeteners dated on 10 September 2007). The Company's indirect interest in Global Sweeteners was further reduced from 70% to 67% on 12 October 2007.

A summary of the net assets of Global Sweeteners Group disposed is as follows:

	HK$'000
Net assets disposed of:	
Minority interests, at carrying amount	386,186
Gain on the spin-off of Global Sweeteners	270,913
Satisfied by cash	657,099

The net inflow of cash and cash equivalents in respect of the spin-off of Global Sweeteners amounted to HK$657,099,000.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2006

Business combination

On 24 July 2006, Global Bio-Chem Technology Company Limited ("GBTL"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire the remaining 18.75% equity interest in Global Corn Chemical Investment Limited ("GCCI"). GCCI is an investment holding company which holds Changchun GBT Bio-chemical Co., Ltd., a corporation in Mainland China. The aggregate purchase consideration for the acquisition was in the form of cash which amounted to HK$7.80.

Prior to the acquisition, GCCI was accounted for as a jointly-controlled entity as major operational decisions required the unanimous consent of all joint venture partners. Upon the completion of the acquisition, the Group had control over GCCI and the purchase method of accounting should be applied pursuant to HKFRS 3. This method involves allocating the cost of the business combinations to the fair values of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The acquisition of GCCI has no material effect on the Group's turnover and consolidated profit for the year ended 31 December 2006.

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

Year ended 31 December 2006

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Net assets acquired:			
Property, plant and equipment	14	38,188	38,188
Balances with group companies		(52,526)	(52,526)
Prepayments and other receivables		18,941	18,941
Cash and cash equivalents		1,214	1,214
Other payables		(5,602)	(5,602)
		215	215
Excess over the cost of a business combination recognised in the consolidated income statement	5	(215)	
Satisfied by cash		—	

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

	2006 *HK$'000*
Cash consideration	—
Cash and cash equivalents acquired	1,214
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	1,214

Acquisition of minority interests

On 24 July 2006, GBTL entered into an acquisition agreement with the then minority shareholders of Global Polyol Investments Limited ("GPI"), a company incorporated in Hong Kong, to acquire the minority interests therein at a total consideration of HK$3,875,000 in cash. GPI is an investment holding company, which holds Changchun Dacheng New Polyol Development Co., Ltd, a subsidiary established in Mainland China. The carrying amount of minority interests acquired was nil and the total consideration was recognised as goodwill.

31. CONTINGENT LIABILITIES

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

At 31 December 2007, the banking facilities granted to the Company's subsidiaries secured by guarantees given to the banks by the Company were utilised to the extent of approximately HK$3,772,888,000 (2006: HK$1,790,907,000).

At 31 December 2007, no guarantee was provided by the Company to certain jointly-controlled entities in favour of the bank for banking facilities granted to those jointly-controlled entities (2006: HK$11,625,000).

32. COMMITMENTS

At 31 December 2007, the Group had capital commitments as follows:

	Group 2007 HK$'000	2006 HK$'000
Contracted, but not provided for:		
Land premiums and leasehold buildings	**253,375**	79,951
Plant and machinery	**181,879**	131,859
	435,254	211,810
Authorised, but not contracted for:		
Capital contributions payable to subsidiaries	**207,153**	—
	642,407	211,810

The Company did not have any significant commitments as at 31 December 2007.

33. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	2007 HK$'000	2006 HK$'000
Utility costs charged to a jointly-controlled entity	(a)	**2,472**	2,697
Sales of corn starch to a jointly-controlled entity	(b)	**53,470**	66,312
Sales of corn sweeteners to a jointly-controlled entity	(a)	**31,782**	30,111
Sales of goods to Mitsui & Co., Ltd. and its subsidiaries ("Mitsui Group")	(c)	**3,742**	2,232
Commission paid to Cargill Investments (China) Ltd.	(d)	**1,567**	3,043

Notes:

(a) The utility costs were charged to CDNP a jointly-controlled entity in which the Group effectively held a 51% equity interest based on the actual costs incurred. The sales of corn sweeteners to CDNP were at prices which are comparable to the prices offered to other customers of the Group.

(b) The transactions with Cargill Shanghai a jointly-controlled entity in which the Group effectively holds a 50% equity interest were made at prices which are comparable to the prices offered to other customers of the Group.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (Continued)

(c) The transactions with Mitsui Group, a joint venture entity partner of CDNP were made at prices mutually agreed between the parties.

(d) Commission was paid to Cargill Investments (China) Ltd., a joint venture partner of Cargill Shanghai in which the Group indirectly holds a 50% equity interest, for its operating service provided to Cargill Shanghai.

(ii) Balances with related parties:

At the balance sheet date, the Group's balances due from/(to) related parties were as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Cargill Shanghai	**24,184**	29,779
CDNP	**15,400**	13,760
	39,584	43,539

(iii) Compensation of key management personnel of the Group:

	2007 ***HK$'000***	2006 *HK$'000*
Short term employee benefits	**30,800**	21,308
Post-employment benefits	**44**	60
Total compensation paid to key management personnel	**30,844**	21,368

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets	Group **Loans and receivables 2007 *HK$'000***	 Loans and receivables 2006 *HK$'000*
Trade receivables	**1,078,743**	375,183
Financial assets included in deposits and other receivables	**164,480**	147,423
Long term loan to a jointly-controlled entity	**40,000**	40,000
Due from jointly-controlled entities	**19,584**	23,539
Cash and cash equivalents	**2,021,812**	1,630,041
	3,324,619	2,216,186

Financial liabilities	Group **Financial liabilities at amortised cost 2007 *HK$'000***	 Financial liabilities at amortised cost 2006 *HK$'000*
Trade payables	**468,994**	240,786
Financial liabilities included in other payables	**993,644**	949,298
Interest-bearing bank and other borrowings	**4,803,103**	3,950,505
Due to a venturer of a joint-controlled entity	**20,000**	20,000
	6,285,741	5,160,589

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (Continued)

Financial assets	Company **Loans and receivables 2007 *HK$'000***	 Loans and receivables 2006 *HK$'000*
Financial assets included in deposits and other receivables	**131**	—
Due from subsidiaries	**2,905,224**	2,940,595
Cash and cash equivalents	**451,393**	841,146
	3,356,748	3,781,741

Financial liabilities	Company **Financial liabilities at amortised cost 2007 HK$'000**	 Financial liabilities at amortised cost 2006 HK$'000
Financial liabilities included in other payables	**181**	195
Financial guarantee contracts	**18,125**	7,327
Interest-bearing bank and other borrowings	**445,625**	1,162,500
	463,931	1,170,022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, amounts due from jointly-controlled entities and long term loan to a jointly-controlled entity. Financial liabilities of the Group include trade payables, other payables and accruals, interest-bearing bank and other borrowings and amounts due to a jointly controlled entity.

Financial assets of the Company include cash and cash equivalents, prepayments, deposits and other receivables, amounts due from subsidiaries. Financial liabilities of the Company include other payables and accruals and interest-bearing bank and other borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and supply risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

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

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flow of the operations and the debt markets, when considered appropriate, the Group would expect to refinance these borrowings with lower cost of debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in basis points	Increase/ (decrease) in equity/ profit before tax
	%	*HK$'000*	*HK$'000*	*%*	*HK$'000*
2007					
Hong Kong dollar	1	13,956	11,490	1	1,163
2006					
Hong Kong dollar	1	3,035	2,786	1	—

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, amounts due from jointly-controlled entities and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 31 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 20 and 21 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

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

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	2007					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	**468,994**	—	—	—	—	**468,994**
Interest-bearing bank and other borrowings	—	—	**1,662,435**	**3,140,668**	—	**4,803,103**
Due to a venturer of a jointly-controlled entity	—	—	—	**20,000**	—	**20,000**
Other payables	**993,644**	—	—	—	—	**993,644**
	1,462,638	—	**1,662,435**	**3,160,668**	—	**6,285,741**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Group	2006					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	240,786	—	—	—	—	240,786
Interest-bearing bank and other borrowings	—	549,020	2,659,789	716,696	—	3,925,505
Due to a venturer of a jointly-controlled entity	—	—	—	20,000	—	20,000
Other payables	949,298	—	—	—	—	949,298
	1,190,084	549,020	2,659,789	736,696	—	5,135,589

Company	**2007**					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Interest-bearing bank borrowings	**—**	**—**	**—**	**445,625**	**—**	**445,625**
Financial guarantee contracts	**—**	**—**	**12,379**	**5,746**	**—**	**18,125**
Other payables	**181**	**—**	**—**	**—**	**—**	**181**
	181	**—**	**12,379**	**451,371**	**—**	**463,931**

Company	2006					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	—	232,500	930,000	—	—	1,162,500
Financial guarantee contracts	—	—	4,607	2,720	—	7,327
Other payables	195	—	—	—	—	195
	195	232,500	934,607	2,720	—	1,170,022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Supply risk

On 1 December 2007, certain subsidiaries of the Group entered into purchase agreements with a company established in the PRC which is beneficially owned by the staff union of the Group's Mainland China employees (the "Union Company") for purchases of corn kernels, the principal raw material for the production of certain of the Group's products. Pursuant to the purchase agreements, the Group agrees to purchase from the Union Company a total of 700,000 tons of corn kernels during the contract period (one year) and bear certain warehouse administration expenses. The total corn kernels purchased from the Union Company in December 2007 of 85,000 tons amounted to approximately HK$126 million. At the balance sheet date, the purchase commitment pursuant to the above agreements was approximately 615,000 tons, and the directors have estimated the amount to be approximately HK$961 million.

If the supplier is unable to obtain corn kernels for sale to the Group, and the Group is unable to obtain supplies from other sources, the Group's operations and performance may be adversely affected.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank and other borrowings, trade, other payables, less cash and cash equivalents, and excludes discontinued operations. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

Group	**2007** ***HK$'000***	2006 *HK$'000*
Interest-bearing bank and other borrowings	**4,803,103**	3,950,505
Less: cash and short term deposits	**(2,021,812)**	(1,630,041)
Net debt	**2,781,291**	2,320,464
Equity	**6,463,465**	5,279,384
Gearing ratio	**43%**	44%

36. POST BALANCE SHEET EVENT

On 8 January 2008, Global Sweeteners (China) Limited, a wholly-owned subsidiary of Global Sweeteners, which the Company holds 67% interest shares, entered into an acquisition agreement with Mitsui & Co., Ltd, Mitsui & Co., (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd. the minority shareholders of Global-Nikken (Hong Kong) to acquire the remaining 49% equity interest in Global-Nikken (Hong Kong) at a total consideration of US$2,450,000 (equivalent to approximately HK$19.1 million) in cash (the "Acquisition"). After the completion of the Acquisition on 18 February 2008, Global-Nikken (Hong Kong) became a wholly-owned subsidiary of Global Sweeteners.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2008.

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**6,796,871**	4,742,942	4,078,890	3,378,070	2,337,943
Cost of sales	**(5,201,191)**	(3,536,166)	(3,027,532)	(2,076,404)	(1,472,475)
Gross profit	**1,595,680**	1,206,776	1,051,358	1,301,666	865,468
Other income and gains	**121,634**	48,630	28,949	23,234	15,957
Gain on spin-off of Global Sweeteners	**270,913**	—	—	—	—
Selling and distribution costs	**(372,376)**	(293,082)	(277,451)	(164,336)	(98,111)
Administrative expenses	**(222,657)**	(152,893)	(118,056)	(125,232)	(94,728)
Other expenses	**(32,575)**	(45,451)	(15,460)	(17,709)	(28,458)
Finance costs	**(265,771)**	(207,022)	(89,106)	(28,322)	(23,874)
PROFIT BEFORE TAX	**1,094,848**	556,958	580,234	989,301	636,254
Tax	**(114,994)**	(55,730)	(39,895)	(58,491)	(42,914)
PROFIT FOR THE YEAR	**979,854**	501,228	540,339	930,810	593,340
Attributable to:					
Equity holders of the Company	**943,486**	501,228	466,484	815,451	520,772
Minority interests	**36,368**	—	73,855	115,359	72,568
	979,854	501,228	540,339	930,810	593,340
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**13,397,560**	10,574,200	9,402,985	6,835,295	4,231,716
TOTAL LIABILITIES	**(6,511,541)**	(5,294,816)	(4,664,413)	(2,244,068)	(1,418,228)
MINORITY INTERESTS	**(422,554)**	—	—	(456,862)	(316,829)
	6,463,465	5,279,384	4,738,572	4,134,365	2,496,659

BOARD OF DIRECTORS

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

* *Audit Committee Members*

COMPANY SECRETARY

Cheung Chak Fung, *ACCA*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISERS

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

The Agriculture Bank of China
6 Beian Road, Nanguan District
Changchun, Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
36C Bermuda House
3rd Floor, British American Tower
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE: 0809

KEY DATES

Closure of register of members:
21 May 2008 to 22 May 2008
(both days inclusive)
Annual general meeting:
22 May 2008
Date of payment of final dividend:
13 June 2008