Global Bio-chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code : 00809

Annual Report 2009

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 460,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 210,000 mt
- Corn Refinery — 1.8 million mt
  — 1.0 million mt*

Site Area: Over 3.3 million m^2
Location: Situated within the Golden Corn Belt

LIAONING

Annual Production Capacity:

- Corn Refinery — 600,000 mt
- Corn Sweeteners — 200,000 mt

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

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 240,000 mt

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

HONG KONG

Headquarter

* in progress
mt: metric tonnes
m^2: metres square

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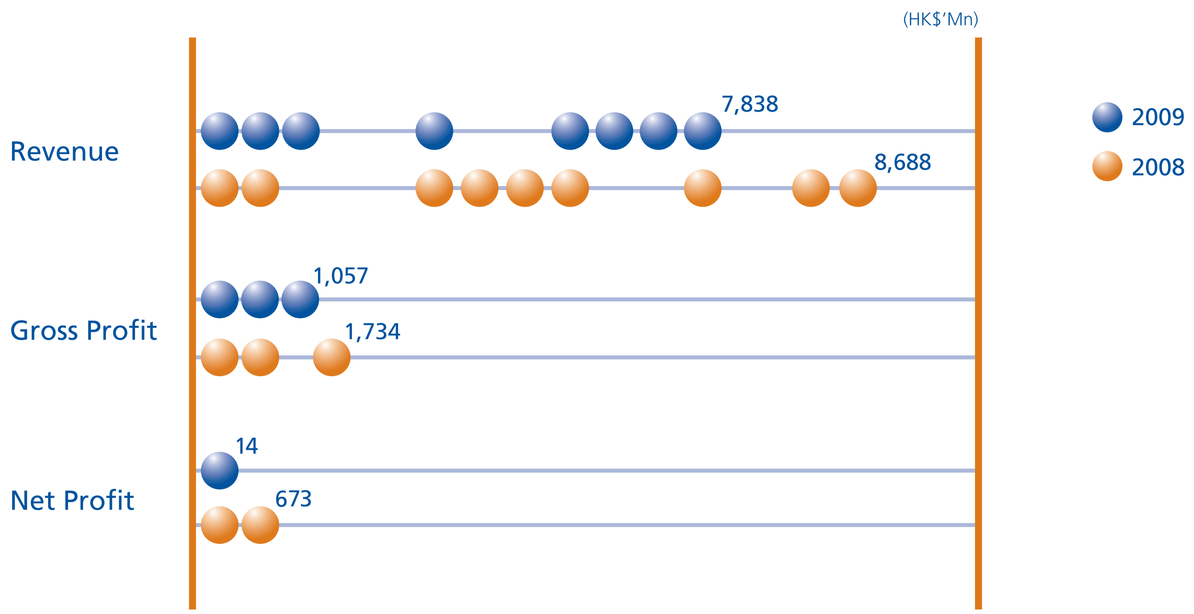
Financial Highlights



	2009	2008 (Restated)	% of Decrease
Revenue (HK$'Mn)	**7,838**	8,688	**10%**
Gross profit (HK$'Mn)	**1,057**	1,734	**39%**
Net profit for the year (HK$'Mn)	**14**	673	**98%**
Net (loss)/profit attributable to owners of the Company (HK$'Mn)	**(15)**	622	**102%**
Basic (loss)/earnings per share (HK cents)	**(0.6)**	26.8	**102%**
Proposed final dividend per share (HK cents)	**—**	1.0	**100%**

Message to Shareholders

Dear shareholders

The overall operating environment in 2009 continued to be difficult. It was the most challenging year for the Group since its listing, resulting in a significant decline in operating results when compared to those of previous year. At the end of 2008, the financial tsunami struck the global economy, leading to dwindling demand for commodities, excessive market supply and significant drop in product prices in early 2009. These combined with a rise in corn price had aggravated the severe market conditions. Entering the second half of 2009, the economic stimulus measures introduced by various governments around the world began to take effect. In particular, the macroeconomic stimulus policies promulgated by the PRC government had achieved noticeable results in boosting internal demand and revitalising the domestic economy. These had brought forth a considerable improvement in the domestic economic condition and gradual recovery in market confidence. The Group's business performance gradually returned to normal in the second half of the year, which successfully recovered the net loss of approximately HK$90 million made in the first half, and reported a net profit of approximately HK$14 million for the whole year.

The Group's consolidated revenue and gross profit in 2009 amounted to HK$7.84 billion and HK$1.06 billion respectively, representing a 10 per cent and 39 per cent decrease compared to the preceding year respectively. The underutilisation of some of its production capacities due to dwindling demand added pressure to the Group's gross profit margin. The Group's overall gross margin was adjusted to 14 per cent.

Although the Group's operating results for the full year of 2009 declined as a result of the macroeconomic recession, the Group's operations had started to rebound since the second quarter from rock bottom in the first quarter, with quarterly improvement momentum. The Group's overall operating performance in early 2010 surpassed that of the last quarter of 2009, indicating a positive trend for the year 2010.

In the first half of 2009, particularly in the first quarter, a weak economy and sluggish market demand added pressure to the sales volume and selling prices of the Group's upstream products. The full year performance of upstream business retreated from that of the previous year with a decrease in gross profit of approximately 20 per cent, despite the gradual rise in price and stabilisation of demand for upstream products such as corn starch, since the second quarter of 2009 when market conditions began to recover.

In respect of the Group's downstream businesses, the major product series – amino acids faced severe challenge, with decline in orders and average selling prices of lysine products. During the first quarter of 2009, the difficult operating environment and the persistent depressed market sentiment caused customers to reduce their order volume and inventory level, resulting in a plunge in demand. This had led to a depression in the lysine products prices that were floating at a low level and a decline in the revenue of this division. The Group's export of amino acid products was also significantly affected by the slowdown of certain international markets. During the year under review, the Group's lysine export suffered from the economic meltdown and sluggish demand in overseas markets, as well as the appreciation of Renminbi. The export volume of amino acid products for 2009 reduced by 26 per cent when compared with that of the previous year. However, the Group seized the opportunities to further reinforce its domestic market share and enhance product penetration in the PRC. During the year, the Group continued to intensify marketing of its protein lysine products. After years of promotion, protein lysine has gained wide recognition among domestic and overseas feedstuff manufacturers, resulting in a satisfactory growth in sales, with a relatively stable profitability when compared to the traditional lysine. Prices of lysine products began to pick up in the second half of the year, with a significant rebound in the fourth quarter. Although the average selling price of amino acids for the full year was 28 per cent lower compared to 2008, the Group's total sales volume of this division for the full year increased by 37 per cent.

Message to Shareholders *(Continued)*

In recent years, the Group has made tremendous effort to realise mass production of polyol chemicals. The sales volume of polyol chemicals for the year 2009 amounted to approximately 120,000 metric tonnes, generating revenue of HK$655 million. Made from renewable resources, polyol chemicals series are green products developed by the Group after years of research and development. These polyol chemicals can be used as substitutes for a number of traditional chemicals and also can be widely applied in different industries. However, as an innovative product, the Group's polyol chemicals series would take a longer period of time for industrial players to recognise its properties and its acceptance. Owing to the drastic drop in oil price since the second half of 2008, the market selling price of polyol chemicals punched on historical low in 2009. In addition, the Group was still in the process of market development during the year, the average selling price of the products was kept at a low level. Together with the pressure by underutilisation, which was operating at around 60 per cent, the gross profit of the product was stressed. In addition, the Group made a provision for the products of HK$91 million for the year 2009, which further weakened its profitability. This division reported a gross loss of HK$75 million during the year.

PROSPECTS

With the gradual stabilisation in the world economy and financial market, as well as the impact of the PRC government's proactive economic stimulus measures, the domestic economy picked up a steady growth momentum in the second half of 2009, whereas the global market showed signs of recovery. The PRC government implemented a series of policies to further support the agricultural industry, aiming at securing stable supply of foodstuff (including meat, egg and dairy products). Major end-customers of the Group's mainstream products including lysine are associated with the agricultural and livestock industries. The above-mentioned factors are expected to bring positive impact on the Group's operations. The selling prices of the Group's upstream and downstream products in the first quarter of 2010 continued the growth momentum in the fourth quarter of 2009. As such, the Group remains cautiously optimistic about its overall business performance in 2010 and expects its operating results to be back on track. In the face of uncertainties and potential challenges in the market, the Group will stay alert and maintain its prudent strategies in operation and financial management.

The price of corn, the major raw material of the Group, rose in 2009, fuelled by the policy of corn procurement of the PRC's state reserve and it is expected that corn price will rise this year. In light of the Group's extensive storage capacity, it is able to effectively stock up a substantial amount of corn at relatively lower prices during corn harvest. Hence, we are of the opinion that increasing corn price will have minimal impact on the Group's operating cost.

With respect to lysine business, the market is likely to remain stable in 2010. With no significant addition of new capacity in the market, it is expected that there will still be room for improvement in lysine products prices for the full year. Moreover, given a brighter economic outlook and a gradual recovery in overseas markets, export sales are expected to return to satisfactory levels, which will also help stabilise the domestic market price. Driven by the above positive factors, the revenue and gross profit margin of amino acid products including lysine is expected to return to a healthy level. The Group will continue to strive to maintain full capacity utilisation of this product series, in order to lift unit gross profit through economies of scale.

We will explore and develop new types of amino acid products and those with high added value, in order to enhance the overall profitability of this product series. Meanwhile, we will also develop new bacteria strain to improve production efficiency.

With the gradual recovery in the global economy, the Group's lysine export began to improve since the second half of 2009. Although the exchange rate of Renminbi will continue to be a tension on export, the Group is confident in achieving its export target in 2010 on the back of strong overseas demand.

Under the global trend for green economy and low carbon emission, the polyol chemicals produced by the Group using renewable materials are expected to gain higher market acceptance. The Group will leverage its technological niches in this area to speed up the development of new series of eco polyol chemical products such as ethylene glycol and propylene glycol, and continue to expand their applications to increase sales of polyol chemicals business.

The price of upstream products started to rebound since the second half of 2009, sales of these products have recovered. The Group expects to see stable development in the upstream business this year. Its corn processing facilities with an annual capacity of 1 million metric tonnes in Xinglongshan, Changchun will commence operation in the current year. A portion of the corn starch produced by this new plant will be applied for the Group's internal consumption and therefore, a slight increase in sales is expected in the upstream business.

The Group's existing product lines are basically applied in the production of necessities in daily life, such as chemical products, feedstuff, food and beverage products, etc. Being the largest corn refining enterprise in the PRC, the Group will continue to adhere to its business philosophy and social commitment. While maintaining a stable business development, the Group will step up its effort to improve the income level and living standards in the country's rural areas. In light of the attention and importance attached to energy saving and emission reduction worldwide, and mounting environmental protection and energy saving consciousness in the PRC, the Group is committed to innovative research and development basing on self-developed technology. The Group will develop know-how for applying various renewable resources in production and will improve its production techniques to enhance efficiency and reduce energy consumption. The Group will also strive to develop the green products market, as a means to strengthen its profitability and contribute to the improvement of the global climate and environment.

Last but not least, on behalf of the Board, we would like to express our gratitude to shareholders and investors, as well as our business partners for their continued support to the Group. The Group's management will continue to adopt a prudent management approach to cope with all possible challenges, and through flexible sales strategies to consolidate and expand the market presence of its various products. We would steer the Group through all difficulties, propel the Group to move forward and create satisfactory return to our shareholders.

Liu Xiaoming
Co-chairman

Xu Zhouwen
Co-chairman

22 April 2010

Management Discussion and Analysis

The Group is principally engaged in the manufacture and sale of corn based refined 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 chemical products.

BUSINESS ENVIRONMENT

The negative effects of global financial crisis in 2008 extended to the Year. Although the global market has shown sign of recovery since the second half of 2009, the global economy remained weak during the Year. Particularly, the Group's export business and the performance of the Group were affected adversely. During the Year, the demand from overseas markets dropped significantly. Export sales shrank and accounted for only approximately 16% (2008: 24%) of the Group's revenue. Despite such adverse overseas market conditions, the Group's operations remained strong in PRC. The PRC economic recovery was drastic as the PRC government's economy stimulation policies were successful. Resulted from those polices on agriculture, cost of corn reduced while the farmers in PRC were motivated to breed and feed more pigs and poultry. Moreover, customers restored their stock level back to normal, which drove the demand for the amino acids products, including lysine products. The sales volume increased sharply during the Year. However, the average selling price of the amino acids products dropped approximately 28% compared with the last year, the recovery pace of selling price of the amino acids products did not pick up as well as the volume growth.

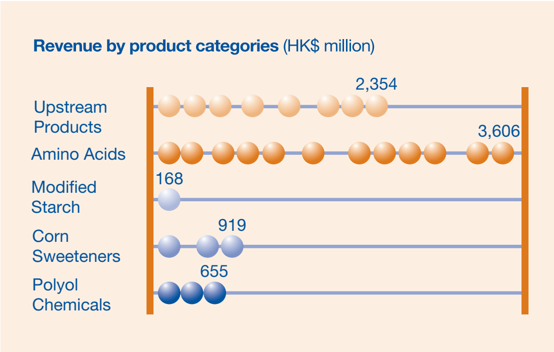
During the Year, certain government grant was introduced by the PRC government on corn kernels which in turn stabilised the corn kernels price for corn processors. It is anticipated that subsidies in similar form will be continued in 2010. Nevertheless, management expected that in view of the unfavorable weather condition and seasonable pattern, corn price will be pushed up in 2010. Therefore, high inventory level of corn kernels was kept at the end of 2009 to stabilise the cost of corn kernels. The corn starch market has recovered since the second half of 2009 and the selling price of corn starch has reached over HK$2,500 per metric ton recently which represents approximately 16% of increase as compared to the average selling price of corn starch in 2009. It is expected that the performance of upstream products will be further improved in 2010.

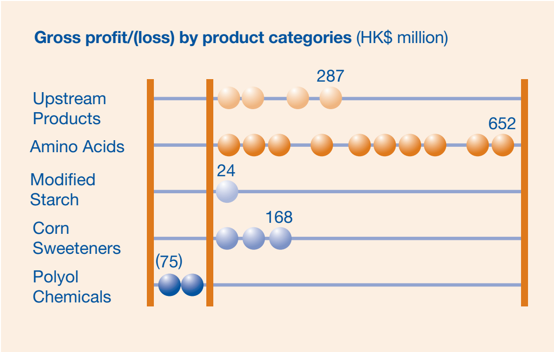
As alternatives to some of the petroleum-based chemical products, the price of our polyol chemicals are highly correlated to those refined products from crude oil. The crude oil price has rebounded and increased over a double during the Year. Performance of polyol chemical business has substantially improved during the first quarter of 2010.

FINANCIAL PERFORMANCE

(Revenue: HK$7,838 million (2008: HK$8,688 million))
(Gross profit: HK$1,057 million (2008: HK$1,734 million))
(Net profit: HK$14 million (2008: net profit of HK$673 million))

The adverse financial performance was mainly due to the significant decline of average selling price of approximately 10% as compared with the last year.





Upstream products segment

(Revenue: HK$2,354 million (2008: HK$2,755 million))
(Gross profit: HK$287 million (2008: HK$356 million))

Due to the impact arising from the global financial crisis and the keen competition of corn starch in the PRC during the first half of 2009 and increase in internal consumption of corn starch for downstream products, the average selling price and sales volume of upstream products during the Year dropped by approximately 5% and approximately 10% respectively as compared to the last year although the sales of upstream products had resumed gradually since the second half of 2009. As a result the gross profit was adversely affected with a reduction of approximately 20% as compared to last year's figure.

Downstream products segment

(Revenue: HK$5,348 million (2008: HK$5,933 million))
(Gross profit: HK$769 million (2008: HK$1,378 million))

The revenue and gross profit of downstream products decreased substantially by approximately 10% and approximately 44% respectively during the Year, which was mainly attributable to the decline of selling prices and drop in sales volume of most of our downstream product series. The changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Year as compared to the last year are summarised as follows:

Changes of downstream product series for the Year					
Product series	**Sales volume**	**Average selling price**	**Average cost of good sold**	**Revenue**	**Gross profit**
Amino acids	37%	(28%)	(18%)	(1%)	(35%)
Modified starch	(4%)	(11%)	(9%)	(15%)	(25%)
Corn sweeteners	(16%)	0%	(2%)	(15%)	(3%)
Polyol chemicals	(9%)	(30%)	(8%)^	(36%)	(146%)
Overall	6%	(15%)	(6%)	(10%)	(44%)

^ additional provision for polyol chemicals at 31 December 2009 of approximately HK$91 million had been taken into consideration.

Among those downstream products series, amino acids division still constituted the key products of the Group as previous years. Their revenue and gross profit in 2009 of approximately HK$3,606 million (2008: HK$3,625 million) and approximately HK$652 million (2008: HK$1,009 million), accounted for approximately 46% (2008: 42%) and approximately 62% (2008: 58%) of the Group's total revenue and gross profit respectively. The sales volume of amino acids increased by approximately 37% over the last year because of the rise of demand and the restoration of normal stock level after the financial tsunami in the PRC. However, the slip of selling price by approximately 28% over the last year caused to a 35% reduction in gross profit.

The modified starch division has been resuming gradually since the second half of the Year. This division contributed a gross profit of approximately HK$24 million (2008: HK$32 million) to the Group during the Year.

The polyol chemicals division generated revenue of approximately HK$655 million (2008: HK$1,027 million). The gross loss contributed from this division during the Year amounted to approximately HK$75 million (2008: gross profit of HK$163 million). Due to the slip of crude oil price, the selling price of those chemical products from both petroleum-based and agricultural-based dropped seriously. The average selling price of our polyol chemicals dropped by approximately 30% as compared with that of the previous year. Furthermore, an additional provision of closing inventories of polyol chemical products at the balance sheet date amounting to approximately HK$91 million (2008: HK$81 million) was made. In view of the rebound of crude oil price and the promotion of the use of green products, the Directors believe that our chemicals division would operate profitably in foreseeable future.

Because of the outbreak of melamine-tainted food incident in PRC and the global financial crisis in the second half of 2008, the operating environment of sweeteners was adversely affected in the first half of 2009. Although the demand and selling price of glucose and maltose picked up rapidly since the second half of 2009, the sales volume and revenue of sweeteners division dropped by approximately 17% and approximately 15% respectively compared with the last year. The drop of gross profit of sweetener division narrowed to approximately 3% while the gross profit margin slightly improved by approximately 2%, which were resulted from the rebound of the selling price and the tight control on the production cost of sweeteners during the Year.

Biological product segment

During the Year, Global Sweeteners Holdings Limited ("GSH") (a Hong Kong listed company with stock code: 03889), an indirect non-wholly owned subsidiary of the Company, started launching food related products for the purpose of product diversification. A non-wholly owned subsidiary, of which GSH holds approximately 62% equity interest indirectly, had been set up for launching high end beef products for both wholesale and retail sales in the PRC. During the Year, GSH had invested approximately HK$8 million in this joint venture and the business recorded a revenue and gross profit of approximately HK$137 million (2008: Nil) and HK$1 million (2008: Nil) respectively. In the year of 2010, it is expected that GSH will expand its business to cattle flattening by investing approximately HK$100 million as working capital of the business.

Product segments

The revenue and gross profit of upstream products accounted for approximately 30% (2008: 32%) and approximately 27% (2008: 21%) of the Group's totals, respectively. There was no significant change on revenue contribute by these product segments. However, due to the weak selling price of downstream products, the gross profit margin was suppressed. As a result, the profit contributed by downstream product segment dropped substantially. On the other side, the revenue generated from the biological products accounted for approximately 2% of the Group's total revenue while its gross profit accounted for less than 1% of the Group's total gross profit.

Other revenue, operating expenses, finance costs and income tax

During the Year, other income of the Group has sharply decreased to approximately HK$87 million (2008: HK$198 million). The main reason for the fall was that an exchange gain arising for the appreciation of Renminbi ("RMB") amounting to approximately HK$96 million was recognised for the year 2008, whereas almost none of such exchange gain was recorded during the Year.

The selling and distribution costs of approximately HK$435 million (2008: HK$533 million) decreased by approximately HK$98 million or 18% over the last year and represented approximately 5.5% (2008: 6.1%) over the Group's revenue for the Year. The drop was mainly because of the slow down of sales activities, particularly export business, and the decrease of transportation costs as the petroleum price dropped.

The administrative expenses of approximately HK$265 million (2008: HK$285 million) decreased by approximately HK$20 million or approximately 7% over the last year and represented approximately 3.4% (2008: 3.3%) of the Group's revenue for the Year. The administrative expenses were stable as the Group continued to impose stringent control over the costs.

The other operating expenses for the Year amounted to HK$74 million (2008: HK$80 million) comprising the legal expenses spent for the infringement litigations amounting to approximately HK$25 million (2008: HK$47 million).

Despite the enlarged borrowing portfolio, the finance costs of approximately HK$307 million (2008: HK$359 million) decreased by approximately 14% as compared to the last year mainly due to the drop in average interest rate by approximately 1% per annum. The interest capitalised as fixed assets was decreased to approximately HK$43 million (2008: HK$49 million) for the Year. However, it is anticipated that the pressure from finance costs will remain heavy for 2010.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can still enjoy income tax relief. However, as the tax holiday of those profitable entities had been expired while those entities still enjoying tax relief operated at losses during the Year. As a result, income tax amounting to approximately HK$51 million (2008: HK$30 million) was charged for the Year despite an operating loss of the Group. The overall effective tax rate of the Group drastically increased to approximately 79% (2008: 4%).

Share of profits of jointly controlled entities

During the Year, the high fructose corn syrup joint venture recorded a net profit attributable to the Group of approximately HK$3 million (2008: HK$6 million). The drop was mainly due to the reduction of sales volume.

Profit shared by minority shareholders

As at 31 December 2009, the Company indirectly held approximately 67% issued share capital of GSH and profit shared by the minority shareholders of GSH amounted to approximately HK$29 million (2008: HK$51 million) for the Year.

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 borrowings as at 31 December 2009 increased to approximately HK$5.1 billion (31 December 2008: HK$4.1 billion).

Structure of interest bearing borrowings

As at 31 December 2009, the Group's bank borrowings amounted to approximately HK$6.7 billion (31 December 2008: HK$5.5 billion), of which approximately 11% (31 December 2008: 19%) 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 5.7% (2008: 6.5%).

The percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 66% (31 December 2008: 62%) and approximately 34% (31 December 2008: 38%) and less than 1% (31 December 2008: less than 1%) respectively. The change was mainly due to the classification of long term borrowings, which were repayable within year 2010, as current liabilities. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected. As at 31 December 2009, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$20 million (31 December 2008: HK$21 million).

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. Due to the global financial tsunami, more favourable credit terms were granted to customers inducing more sales, as a result, the turnover days of trade receivables recorded a relatively high level which has increased to approximately 74 days (2008: 47 days) for the Year. Meanwhile, the trade creditors turnover days decreased to approximately 44 days (2008: 56 days) which was in line with the seasonal pattern of raw material acquisition. On the other hand, due to the additional purchases of corn kernels during the last quarter of 2009 to prevent the anticipated upward costs trend of corn kernels in 2010 and the slow-down of the sales activities during 2009, the stock level of both raw material and finished good as at 31 December 2009 became relatively high so the inventory turnover days increased to approximately 140 days (2008: 119 days).

Because of addition of bank borrowings and the reclassification of certain bank borrowings from long term to short term and high level of inventories and accounts receivable, the current ratio and the quick ratio as at 31 December 2009 remained at a relatively low level of approximately 1 (31 December 2008: 1) and 0.6 (31 December 2008: 0.6) respectively. At the same time, due to the reduction of cash inflow after the global financial tsunami, gearing ratio in term of net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and minority interest) deteriorated to 64% (31 December 2008: 51%). Moreover, gearing ratios in terms of (i) bank borrowings to total assets and (ii) bank borrowings to total equity increased to approximately 40% (31 December 2008: 36%) and 84% (31 December 2008: 70%), respectively. In view of the continual support from existing bankers, the Group can obtain continuous financing resource for it operation.

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 unfavorable 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 2009.

LISTING OF TDR OF GSH ON TAIWAN STOCK EXCHANGE

On 25 March 2010, 100 million units of Taiwan Depositary Receipts ("TDR") of GSH, representing 100 million of new shares issued by GSH and 100 million of existing shares transferred by a wholly owned subsidiary of the Company, were listed on the Taiwan Stock Exchange. Each unit of TDR represents two ordinary shares of GSH. The Company's indirect interest in GSH was then reduced from approximately 67% to approximately 52%. Based on the offer price of 15.50 New Taiwan dollars (equivalently to approximately HK$3.79) per TDR unit, the net cash inflow in respect of the TDR amounted to approximately HK$370 million.

PROSPECTS

2009 is a year full of challenges. With the global financial tsunami and general slowdown of the world economy since the second half of 2008, the Group had been facing a tough business environment in terms of economic situations in the PRC and abroad, especially in the first half of 2009. Operating environment has been gradually improving since the second half of 2009 and the Directors believe that those existing difficulties are considerable but surmountable. In view of various economic revitalisation proposals launched by the PRC government, the PRC is one of the countries that first recover from the world financial downturn. The Directors also expect that the Group's performance will be further improved as over 80% of the Group's income is generated from businesses in the PRC. 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. The Board will endeavor to manage the existing businesses and any new investment of the Group prudently in order to maximise the return and wealth to the Shareholders. The Board believes that the Group is riding out of the global financial tsunami in 2010.

Polyol project

Polyol 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 chemicals are refined from crude oil and thus, their prices are highly correlated. In view of the insufficient supply of crude oil in long run and the consciousness of eco-friendly businesses, the Directors believe that the use of agricultural products as raw material of polyol chemicals becomes a feasible alternative.

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 210,000 metric tonnes in Changchun, the Board has the intention to further expand the capacity of polyol chemicals in order to capture such huge potential market. To facilitate such development, foundation work of a new production site, Xinglongshan of Changchun, is now in progress. It is expected the success in the polyol project will generate large contribution to the Group in foreseeable future.

Amino acids

Currently, the aggregate annual planned production capacity of amino acids is around 460,000 metric tonnes and those facilities can be interchangeable to produce different amino acids or fermentation products. Meanwhile, huge additional demand, in the PRC, 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. With the continuous and strong demand growth in lysine products, the Group is utilising almost all fermentation facilities for the production of lysine products. In addition, the Group is also dedicated to the research and development of many other high value-added amino acids to fuel our growth momentum.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently proposed respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, The Hague District Court, on 22 August 2007, handed down its judgment that the Group's L-lysine products had infringed two patents of third parties 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 to be assessed by the court. The Directors believe the judgment to be incorrect and an appeal against the court's judgment had been lodged. For other litigations, the Directors have been advised by the Group's legal counsel that the Group has sufficient grounds to defend against the claims. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, there was no material contingent liability of the Group as at 31 December 2009.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2009, the Group had approximately 6,000 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LIU Xiaoming aged 54, 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. Mr. Liu was appointed as an executive director of the Company in 2001.

XU Zhouwen aged 67, 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 as an executive director of the Company in 2001.

WANG Tieguang aged 45, is responsible for the Group's sales and marketing functions. He holds a bachelor's degree in economics from the University of Heilongjiang. Mr. Wang was appointed as an executive director of the Company in 2001.

NON-EXECUTIVE DIRECTOR

Patrick E BOWE aged 51, 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 25 years of experience in corn milling and sweetener operations. He was appointed as an nonexecutive director of the Company in 2002.

Steven C WELLINGTON (alternate director to Patrick E BOWE) aged 56, 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 49, 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. Mr. Lee is an independent non-executive director of FAVA International Holdings Limited and was an independent non-executive director of China Best Group Holding Limited (resigned on 21.8.2008), both are listed companies in Hong Kong.

CHAN Man Hon, **Eric** aged 53, 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. Mr. Chan is an independent non-executive director of Emperor International Holdings Limited and a non-executive director of Southeast Asia Properties & Finance Limited, both are listed companies in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continue)*

LI Defa aged 55, 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 nonexecutive director of the Company in September 2004.

SENIOR MANAGEMENT

CHEUNG Chak Fung aged 45, is the financial controller of the Group. He holds a bachelor's degree in accounting from the Hong Kong Baptist University. He has 20 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial practice. He has worked with the Group since 2000. Mr. Cheung resigned as the company secretary of the Company with effect from 20 April 2010.

LI Weigang aged 51, 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 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 43, 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 joined the Group in 1996.

CHU Lalin aged 47, is the chief engineer of the Group. He holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 20 years of experience in mechanical and food engineering. He joined the Group in 1996.

WANG Dehui aged 41, is the assistant 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 joined with the Group in 1997.

ZHANG Xiuzhen aged 65, is the manager of the administration department. She is responsible for human resources management of the Group in the PRC. She joined the Group in 1996.

Cheung Kin Po aged 38, has been appointed as the company secretary of the Company with effect from 20 April 2010. He joined the Group in 2007 as Financial Manager. He holds a bachelor's degree in Commerce from the University of Auckland in New Zealand. He is currently a Certified Practising Accountant of the CPA Australia and an associate of Hong Kong Institute of Certified Public Accountants. He has over 15 years' experience in auditing, financial and management accounting, budgeting, treasury and secretarial function.

Corporate Governance Report

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 PRACTICES

The Board regularly reviews the Group's corporate governance guidelines and developments. It is our belief that, during the year ended 31 December 2009, the Group has endeavoured to comply with the relevant recommendations as laid down in the Code on Corporate Governance Practices (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 practices and is satisfied that the Group has been in full compliance with all the code provisions of the Code throughout the Year.

THE BOARD

Member Attendance of Board and Committee Meetings for the year 2009

	Meetings Attended and Held		
	Board Meeting	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Liu Xiaoming	7/7		
Xu Zhouwen	5/7		
Wang Tieguang	6/7		1/1
Non-Executive Director			
Patrick E Bowe	0/7		
Steven C Wellington, (alternate director to Patrick E Bowe)	0/7		
Independent Non-Executive Directors			
Lee Yuen Kwong	5/7	2/2	1/1
Chan Man Hon, Eric	5/7	2/2	1/1
Li Defa	4/7	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 relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Detailed biographies outlining each individual Directors' range of specialist experience and expertise are set out in pages 14 to 15 of this report.

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 composition is ideally qualified to advise the management team on future strategy development, financial 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 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. Measures were taken to ensure that the Board 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 recorded in the minutes of each meeting. 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; 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 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 may require, to more effectively discharge their duties.

In accordance with the articles of association of the Company, every member of the Board shall retire by rotation at the annual general meeting of the Company at least once every three years. The retiring Directors shall be eligible for 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

Mr. Liu Xiaoming and Mr. Xu Zhouwen are the chairmen of the Company. 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

Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric were appointed as independent non-executive Directors on 1 March 2003. Under their current appointment letters, their appointments are for a term of two years commencing on 1 March 2009. Mr. Li Defa was appointed as independent non-executive Director on 16 September 2004. Under his current appointment letter, his appointment is for a term of two years commencing on 15 September 2008. Mr. Patrick E Bowe was appointed as a non-executive Director on 5 February 2002. Under his current appointment letter, his appointment is for a term of two years commencing on 6 April 2010.

DIRECTORS' REMUNERATION

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

	2009 ***HK$'000***	2008 *HK$'000*
Fees	**840**	840
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**8,160**	8,160
Performance related bonuses	**–**	10,000
Pension scheme contributions	**24**	26
	8,184	18,186
Total	**9,024**	19,026

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 2009, the executive Directors were not entitled to any bonus (2008: 1.6%) as the Group incurred a net loss 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:

	2009 *HK$'000*	2008 *HK$'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 (2008: 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*
2009				
Executive Directors:				
Liu Xiaoming	**3,000**	**–**	**12**	**3,012**
Xu Zhouwen	**3,000**	**–**	**–**	**3,000**
Wang Tieguang	**2,160**	**–**	**12**	**2,172**
Total	**8,160**	**–**	**24**	**8,184**
2008				
Executive Directors:				
Liu Xiaoming	3,000	3,400	12	6,412
Xu Zhouwen	3,000	3,400	2	6,402
Wang Tieguang	2,160	3,200	12	5,372
Total	8,160	10,000	26	18,186

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. All Directors were present at that meeting except Mr. Patrick E Bowe and Steven C Wellington (alternate non-executive director to Mr. Patrick E Bowe).

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 was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises 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 two times in 2009.

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 engagement of external 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 October 2009, the Board has engaged Grant 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. The Board has conducted a review of the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and Grant Thornton and considered that the internal control system and procedure of the Group were effective and adequate.

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 2009, 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 remuneration with the Group's performance and to evaluate their remuneration 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 a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in 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 and the code of conduct 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 2009, 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 2009, HK$6,410,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$2,101,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company 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	95
Others	1,367
Total	1,462

COMMUNICATION WITH SHAREHOLDERS

The Group establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, notices, announcements and circulars on the Stock Exchange, the Company website at www.globalbiochem.com, 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.

Based on the information that is publicly available to the Group and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Group has maintained the prescribed amount of public float during the year 2009 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 2009.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2009.

22 April 2010

The directors present their report and the audited financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products, corn based sweetener products, corn based biochemical products and biological 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 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 114.

The board of directors (the "Board") did not recommend the payment of final dividend in respect of the year ended 31 December 2009.

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 as appropriate, is set out on page 115. 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.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 29 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 OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 3 September 2007, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 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 class or participant who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the 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.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on 3 September 2007 ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

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 outstanding options) 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 general meeting (with such participant and his associates abstaining from voting).

SHARE OPTION SCHEME *(Continued)*

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 an independent non-executive director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance 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 in total by the grantee. The exercise period of the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer of the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The subscription price for the Shares under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

During the year, no share option was granted pursuant to the share option scheme and no share option was outstanding as at 31 December 2009.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

Global Sweeteners Holdings Limited ("GSH") operates a share option scheme (the "GSH Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of GSH and its subsidiaries (the "GSH Group"). The GSH Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

Eligible participants of the GSH Scheme include the following:

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

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

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

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

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

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY *(Continued)*

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

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

And for the purposes of the GSH 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.

The maximum number of unexercised share options currently permitted to be granted under the GSH Scheme is an amount equivalent, upon their exercise, to 30% of the shares of GSH in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of GSH in issue at any time. Any further grant of share options in excess of this limit is subject to GSH shareholders' approval in a general meeting.

Share options granted to substantial shareholder of GSH, or an independent non-executive director or any of their respective associates, in excess of 0.1% of the shares of GSH in issue at any time or with an aggregate value (based on the price of GSH's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to GSH shareholders' approval in advance 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 in total by the grantee. The exercise period of the share options granted is determinable by the 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 grant of the options subject to the provisions for early termination under the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares of GSH in the date of offer of the share options; and (ii) the average Stock Exchange closing price of the GSH's shares for the five trading days immediately preceding the date of offer.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY *(Continued)*

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

Participants	Number of share options At 1 January 2009	Lasped during the year	Exercised during the year	At 31 December 2009	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options HK$ per share	Price of GSH's shares: Immediately before the grant date HK$ per share	Weighted average closing price immediately before the exercise date HK$ per share	At exercise date of options HK$ per share
Lee Chi Yung	3,000,000	–	–	3,000,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	330,000	–	–	330,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employee	100,000	(100,000)	–	–	7 July 2008	1 March 2009 to 6 July 2011	7 July 2008 to 1 March 2009	1.59	1.63	N/A	N/A
Employee	100,000	(100,000)	–	–	7 July 2008	14 April 2009 to 6 July 2011	7 July 2008 to 14 April 2009	1.59	1.63	N/A	N/A
Employees	4,642,000	–	(4,274,000)	368,000	17 September 2008	17 September 2009 to 16 September 2011	17 September 2008 to 17 September 2009	0.99	0.87	1.57	1.61
	8,172,000	(200,000)	(4,274,000)	3,698,000							

Note : The share options granted to Mr. Lee Chi Yung were categorised under "Employees" in previous reports. Mr. Lee Chi Yung was appointed as an executive director of GSH with effect from 8 December 2009.

At 31 December 2009, the share options granted to subscribe for 3,698,000 shares of GSH remained outstanding, representing approximately 0.35% of the issued share capital of GSH at that date. No share options to subscribe for shares have been granted or cancelled during the year ended 31 December 2009.

As at the date of this annual report, 3,330,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 0.32% of the issued share capital of GSH at that date.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, 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$2,794,253,000. 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 2009 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 18% of the total sales for the year and sales to the largest customer included therein accounted for 6% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 77% of the total purchases for the year and the purchase from the largest supplier included therein accounted for 57% 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 or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Liu Xiaoming
Xu Zhouwen
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 Article 108 (A) of the Company's articles of association, Mr. Patrick E Bowe, Mr. Lee Yuen Kwong, and Mr. Chan Man Hon, Eric will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors and independent non-executive directors are all appointed for periods of two years.

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 14 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Liu Xiaoming, Mr. Wang Tieguang, and Mr. Xu Zhouwen have service contracts with the Company for a term of three years commencing on 1 March 2004, 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.

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 ended 31 December 2009.

There was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2009.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, 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	349,320,000	362,956,000	15.65
Mr. Xu Zhouwen	*2*	17,254,000	211,040,000	228,294,000	9.85
Mr. Wang Tieguang	*3*	8,892,800	172,800,000	181,692,800	7.84
		39,782,800	733,160,000	772,942,800	33.34

Notes:

1. 349,320,000 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 2009, 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 spouses 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

As at 31 December 2009, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name	*Notes*	Number of ordinary shares held	Percentage of the Company's issued share capital
LXM Limited	*1*	349,320,000	15.06
Crown Asia Profits Limited	*2*	211,040,000	9.10
Mr. Kong Zhanpeng	*3*	185,840,000	8.01
Hartington Profits Limited	*3*	172,800,000	7.45
Rich Mark Profits Limited	*4*	172,800,000	7.45
The Bank of New York Mellon Corporation	*5*	143,115,200	6.17
FMR LLC	*5*	138,946,600	5.99

Notes:

1. The entire issued capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive director of the Company. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. The entire issued capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen, an executive director of the Company. Mr. Xu Zhouwen is the sole director of Crown Asia Profits Limited.

3. These shares were held as to 13,040,000 shares by Mr. Kong Zhanpeng, a former executive director of the Company and one of the executive directors of GSH, a subsidiary of the Company whose shares are listed on the Stock Exchange and 172,800,000 shares by Hartington Profits Limited, a company incorporated in the BVI. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

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

5. These shares are held by FMR LLC and The Bank of New York Mellon Corporation as investment managers and interest of controlled corporation respectively.

Save as disclosed above, as at 31 December 2009, 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.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

Save for the loan due to a director which falls under exempted connected transaction under Chapter 14A of the Listing Rules, the related party transactions entered into by the Group in the year under review which are disclosed in note 34 to the financial statements did not fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to a loan facility agreement dated 15 December 2009 entered into between the Company and a bank in Hong Kong, relating to a 6 to 30 months' term loan facility of US$75,000,000, a termination event would arise if (i) the existing executive directors of the Company cease to own beneficially, directly or indirectly, at least 30% of the shares in the Company's issued share capital; and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement.

At the end of the reporting period, the Group breached one financial covenant with respect to (ii) above. The lender has confirmed in writing its consent for the relaxation of the breached financial covenant, details of which have been disclosed in note 2.1 to the financial statements.

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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 37 to the financial statements.

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 2010

ERNST & YOUNG
安 永

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 35 to 114, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

Independent Auditors' Report *(Continued)*

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

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 2009 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 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 (Restated) HK$'000
REVENUE	5	**7,838,301**	8,687,939
Cost of sales		**(6,781,781)**	(6,954,397)
Gross profit		**1,056,520**	1,733,542
Other income and gains	5	**86,811**	197,620
Excess over the cost of a business combination	31	**—**	23,703
Selling and distribution costs		**(434,978)**	(532,950)
Administrative expenses		**(264,951)**	(284,974)
Other expenses		**(74,241)**	(80,275)
Finance costs	7	**(307,169)**	(359,438)
Share of profits of jointly controlled entities	18	**3,312**	5,677
PROFIT BEFORE TAX	6	**65,304**	702,905
Income tax expense	10	**(51,349)**	(30,090)
PROFIT FOR THE YEAR		**13,955**	672,815
OTHER COMPREHENSIVE INCOME			
Gains on property revaluation	14	**186,119**	—
Income tax effect	28	**(46,500)**	—
		139,619	—
Exchange difference on translation of financial statements of operations outside Hong Kong		**(2,028)**	409,487
Share of other comprehensive income of jointly controlled entities		**(481)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**151,065**	1,082,302
(Loss)/profit attributable to:			
Owners of the Company	11	**(14,978)**	621,777
Minority interests		**28,933**	51,038
		13,955	672,815
Total comprehensive income attributable to:			
Owners of the Company		**117,571**	1,003,424
Minority interests		**33,494**	78,879
		151,065	1,082,303
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	13	**HK(0.6) cents**	HK26.8 cents
Diluted	13	**N/A**	N/A

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 (Restated) HK$'000	1 January 2008 (Restated) HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	**9,110,180**	8,960,535	7,571,103
Prepaid land premiums	15	**537,555**	534,714	497,726
Deposits paid for acquisition of property, plant and equipment and land premiums		**339,416**	231,101	190,236
Goodwill	16	**348,428**	348,428	360,889
Deferred tax assets	28	**16,516**	2,192	—
Breeding biological assets	19	**7,949**	—	—
Interests in jointly controlled entities	18	**94,465**	91,634	125,731
Total non-current assets		**10,454,509**	10,168,604	8,745,685
CURRENT ASSETS				
Inventories	20	**2,599,342**	2,268,543	1,234,772
Trade and bills receivables	21	**1,582,107**	1,111,732	1,058,445
Prepayments, deposits and other receivables	22	**745,876**	357,894	271,188
Trading biological assets	19	**1,219**	—	—
Due from jointly controlled entities	34	**704**	2,685	43,771
Tax recoverable		**8,429**	29,182	14,299
Pledged deposits	23	**23,596**	—	—
Cash and cash equivalents	23	**1,594,315**	1,476,700	2,003,808
Total current assets		**6,555,588**	5,246,736	4,626,283
CURRENT LIABILITIES				
Trade payables	24	**817,439**	1,057,996	465,033
Other payables and accruals	25	**1,113,574**	778,394	1,074,859
Interest-bearing bank borrowings	26	**4,474,005**	3,416,562	1,662,435
Due to a director	34	**89,368**	—	—
Due to jointly controlled entities	34	**101**	—	4,128
Tax payable		**54,219**	37,796	53,406
Total current liabilities		**6,548,706**	5,290,748	3,259,861
NET CURRENT ASSETS/(LIABILITIES)		**6,882**	(44,012)	1,366,422
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,461,391**	10,124,592	10,112,107

Consolidated Statement of Financial Position *(Continued)*

31 December 2009

	Notes	**2009** **HK$'000**	2008 (Restated) HK$'000	1 January 2008 (Restated) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,461,391**	10,124,592	10,112,107
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*26*	**2,266,428**	2,123,441	3,140,668
Deferred tax liabilities	*28*	**122,112**	73,056	57,940
Deferred income	*27*	**34,188**	27,620	27,480
Total non-current liabilities		**2,422,728**	2,224,117	3,226,088
Net assets		**8,038,663**	7,900,475	6,886,019
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*29*	**231,885**	231,885	231,885
Reserves	*30(a)*	**7,249,993**	7,132,648	6,185,203
Proposed final dividend	*12*	**—**	23,188	46,377
		7,481,878	7,387,721	6,463,465
Minority interests		**556,785**	512,754	422,554
Total equity		**8,038,663**	7,900,475	6,886,019

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Note	Issued capital HK$'000	Share premium account HK$'000	Share option reserve 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
		Attributable to owners of the Company										
At 1 January 2008		231,885	1,820,205*	–	141,092*	159,451*	477,867*	3,586,588*	46,377	6,463,465	422,554	6,886,019
Total comprehensive income for the year		–	–	–	–	–	381,647	621,777	–	1,003,424	78,879	1,082,303
Establishment of a subsidiary		–	–	–	–	–	–	–	–	–	11,662	11,662
Acquisition of minority shares		–	–	–	–	–	–	–	–	–	(341)	(341)
Equity-settled share option arrangement of a subsidiary group		–	–	1,992	–	–	–	–	–	1,992	–	1,992
Final 2007 dividend paid		–	–	–	–	–	–	–	(46,377)	(46,377)	–	(46,377)
Interim 2008 dividend	12	–	–	–	–	–	–	(34,783)	–	(34,783)	–	(34,783)
Proposed final 2008 dividend	12	–	–	–	–	–	–	(23,188)	23,188	–	–	–
Transfer from retained profits		–	–	–	–	77,962	–	(77,962)	–	–	–	–
At 31 December 2008		231,885	1,820,205*	1,992*	141,092*	237,413*	859,514*	4,072,432*	23,188	7,387,721	512,754	7,900,475

	Note	**Issued capital HK$'000**	**Share premium account HK$'000**	**Share option reserve 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**
		Attributable to owners of the Company										
At 1 January 2009		**231,885**	**1,820,205**	**1,992**	**141,092**	**237,413**	**859,514**	**4,072,432**	**23,188**	**7,387,721**	**512,754**	**7,900,475**
Total comprehensive income for the year		**–**	**–**	**–**	**134,722**	**266**	**(2,439)**	**(14,978)**	**–**	**117,571**	**33,494**	**151,065**
Establishment of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,195**	**5,195**
Equity-settled share option arrangement of a subsidiary group		**–**	**–**	**(325)**	**–**	**–**	**–**	**99**	**–**	**(226)**	**5,342**	**5,116**
Final 2008 dividend paid	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,188)**	**(23,188)**	**–**	**(23,188)**
Transfer from retained profits		**–**	**–**	**–**	**–**	**31,424**	**–**	**(31,424)**	**–**	**–**	**–**	**–**
At 31 December 2009		**231,885**	**1,820,205***	**1,667***	**275,814***	**269,103***	**857,075***	**4,026,129***	**–**	**7,481,878**	**556,785**	**8,038,663**

Certain subsidiaries, which are established in the PRC as wholly-owned foreign investment enterprises, are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserve reach 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$7,249,993,000 (31 December 2008: HK$7,132,648,000; 1 January 2008: HK$6,185,203,000) in the consolidated statement of financial position as at 31 December 2009.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 (Restated) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**65,304**	702,905
Adjustments for:			
Finance costs	7	**307,169**	359,438
Excess over the cost of a business combination	31	**—**	(23,703)
Bank interest income	5	**(2,144)**	(23,661)
Gain on disposal of items of property, plant and equipment	5	**(1,780)**	(1,682)
Gain on disposal of breeding biological assets		**(213)**	—
Depreciation	6	**480,030**	455,729
Amortisation of prepaid land premiums	6	**16,927**	16,190
Impairment of trade receivables	6	**41,293**	4,017
Share of profits of jointly controlled entities	18	**(3,312)**	(5,677)
Write-down of inventories to net realisable value	6	**42,996**	71,184
Write-back of trade payables and other payables overaccrued in previous years		**—**	(7,506)
Amortisation of deferred income	27	**(2,021)**	(2,020)
Equity-settled share option arrangement of a subsidiary group		**885**	1,992
Goodwill impairment	6	**—**	12,461
		945,134	1,559,667
Increase in inventories		**(373,795)**	(1,102,310)
Increase in trade and bills receivables		**(511,668)**	(48,976)
Increase in prepayments, deposits and other receivables		**(387,295)**	(87,302)
(Decrease)/increase in trade payables		**(240,557)**	591,892
Increase/(decrease) in other payables and accruals		**335,180**	(378,704)
Increase in trading biological assets		**(1,219)**	—
Repayments from jointly controlled entities		**2,082**	18,958
		(232,138)	553,225
Cash (used by)/generated from operations			
Interest received		**2,144**	23,661
Hong Kong profits tax (paid)/refunded		**(3,872)**	6,827
Overseas taxes paid		**(22,069)**	(52,999)
Net cash flows (used in)/from operating activities		**(255,935)**	530,714

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 (Restated) HK$'000
Net cash flows (used in)/from operating activities		**(255,935)**	530,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(510,833)**	(1,049,219)
Proceeds from disposal of items of property, plant and equipment		**3,517**	9,131
Payment of land premiums	15	**(20,455)**	(9,831)
Establishment of a subsidiary		**5,195**	11,662
Purchase of items of breeding biological assets	19	**(8,853)**	—
Proceeds from disposal of breeding biological assets		**1,117**	—
Business combination	31	**—**	(18,420)
Increase in deferred income		**8,589**	—
Acquisition of minority shares		**—**	(341)
Net cash flows used in investing activities		**(521,723)**	(1,057,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in amounts due from jointly controlled entities		**—**	(12,662)
New bank loans		**5,831,695**	5,221,993
Repayment of bank loans		**(4,631,265)**	(4,810,638)
Repayment of other loans		**—**	(4,723)
Interest paid		**(349,944)**	(407,366)
Increase in an amount due to a director		**89,368**	—
Proceeds from equity-settled share option arrangement		**4,231**	—
Dividends paid		**(23,188)**	(81,160)
Net cash flows from/(used in) financing activities		**920,897**	(94,556)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**143,239**	(620,860)
Cash and cash equivalents at beginning of year		**1,476,700**	2,003,808
Effect of foreign exchange rate changes, net		**(2,028)**	93,752
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,617,911**	1,476,700
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**1,487,951**	1,128,794
Non-pledged time deposits with original maturity of less than three months when acquired	23	**106,364**	347,906
Cash and cash equivalents as stated in the statement of financial position		**1,594,315**	1,476,700
Time deposits with original maturity of less than three months when acquired, pledged as security of bank overdraft facilities	23	**23,596**	—
Cash and cash equivalents as stated in the statement of cash flows		**1,617,911**	1,476,700

Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000	1 January 2008 HK$'000
NON-CURRENT ASSETS				
Investments in subsidiaries	17	**449,283**	382,316	326,534
Total non-current assets		**449,283**	382,316	326,534
CURRENT ASSETS				
Due from subsidiaries	17	**2,957,425**	3,233,612	2,905,224
Prepayments, deposits and other receivables	22	**208**	390	425
Cash and cash equivalents	23	**317,388**	315,819	451,393
Total current assets		**3,275,021**	3,549,821	3,357,042
CURRENT LIABILITIES				
Interest-bearing bank loans	26	**581,250**	193,750	—
Other payables and accruals	25	**9,998**	9,050	15,522
Total current liabilities		**591,248**	202,800	15,522
NET CURRENT ASSETS		**2,683,773**	3,347,021	3,341,520
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,133,056**	3,729,337	3,668,054
NON-CURRENT LIABILITIES				
Financial guarantee contracts		**106,918**	44,515	18,125
Interest-bearing bank loans	26	**—**	581,250	445,625
Total non-current liabilities		**106,918**	625,765	463,750
Net assets		**3,026,138**	3,103,572	3,204,304
EQUITY				
Issued capital	29	**231,885**	231,885	231,885
Reserves	30(b)	**2,794,253**	2,848,499	2,926,042
Proposed final dividends	12	**—**	23,188	46,377
Total equity		**3,026,138**	3,103,572	3,204,304

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

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. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

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

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 biological assets and certain property, plant and equipment with periodic remeasurement at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$").

During the year, the Group was granted loan facilities of US$75 million (equivalent to approximately HK$581 million) by a bank in Hong Kong which were scheduled for repayment on 15 May 2010, 15 December 2010, 15 May 2011, 15 December 2011 and 15 May 2012 by US$5 million, US$5 million, US$20 million, US$20 million and US$25 million, respectively. Pursuant to the loan facility agreement, a termination event would arise if the Group could not meet the financial covenants as set out in the agreement. At the end of the reporting period, the Group was unable to comply with one of the financial covenants. Accordingly, the whole balance of the loan amounting to approximately HK$581 million has been classified as a current liability as at 31 December 2009. The directors have been taking action to rectify the non-compliance. On 20 April 2010, the lender has confirmed in writing for the relaxation of the breached financial covenant. The directors considered that the Group's inability to comply with such financial covenant of the loan will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT FROM NEW AND REVISED ACCOUNTING STANDARDS

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements, and except for the changes to the accounting policy as further described below in note 2.5, there have been no significant changes to the accounting policies applied in these financial statements.

2.2 IMPACT FROM NEW AND REVISED ACCOUNTING STANDARDS *(Continued)*

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

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces 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 concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes 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, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement. Furthermore, when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

2.3 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.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 consolidated statement of comprehensive income 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.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture'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 stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated statement of comprehensive income and consolidated reserves, respectively.

The results of jointly-controlled entities are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries 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.

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

Goodwill arising on acquisition is recognised in the consolidated statement of financial position 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.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the statement of comprehensive income.

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, biological assets, 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 statement of comprehensive income 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 period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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 an impairment loss is credited to the consolidated statement of comprehensive income 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 (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).

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 consolidated statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 statement of comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of comprehensive income 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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to the consolidated statement of comprehensive income 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.

Biological assets

Biological assets represent breeding cattle and trading cattle which are measured at their fair value on initial recognition and at the end of each reporting period less estimated costs to sell. The fair values of the biological assets are determined based on the most recent market transaction prices. Change in fair value less estimated costs to sell of a biological asset is included in the statement of comprehensive income for the period in which it arises.

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 statement of comprehensive income 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

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*
The Group's financial assets include trade and bills receivables, prepayments, deposits and other receivables, amounts due from jointly controlled entities and cash and cash equivalents.

Subsequent measurement
Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in other operating expenses.

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 when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings, and amounts due to jointly controlled entities and a director.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories, other than trading cattle which are measured in accordance with the accounting policy for "biological assets" above, 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, 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 end of the reporting period 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 statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- where the deferred tax liability arises from the initial recognition of goodwill or 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.

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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

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;

(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; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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 statement of comprehensive income 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 benefit 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 statement of comprehensive income as they become payable in accordance with the rules of the PRC RB Schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. 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 a jointly controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

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

Notes to Financial Statements *(Continued)*

31 December 2009

2.5 CHANGES OF ACCOUNTING POLICY

During the year, the directors elected to change the accounting policy used to account for the Group's jointly controlled entities from proportionate consolidation to the equity method, both of which are allowed under HKAS 31. The directors considered that the International Accounting Standards Board has published an exposure draft that proposes to eliminate the proportionate consolidation option, and requires that joint arrangements be accounted for using the equity method. In addition, the directors also considered that other countries' framework, such as United States and China, requires equity method accounting and does not allow proportionate consolidation. Given the above considerations, the directors considered that the adoption of the equity method will provide more reliable, relevant and comparable information about the economic activity of the Group to the readers of the financial statements. The effect of this change did not result in any impact on the profit and the equity attributable to owners of the Company in the periods prior to the change.

(a) Restatement of prior years' and opening balances

The consolidated statement of financial position as at 31 December 2008 and 1 January 2008, the consolidated statement of comprehensive income and the statement of cash flows for the year 2008 previously reported by the Group have been restated to apply the equity method for the interests in jointly controlled entities (the "New Policy"), as set out below:

Items of consolidated statement of comprehensive income for the year ended 31 December 2008	**The Group, as previously reported** *HK$'000*	**Effect of the New Policy** *HK$'000*	**The Group, as restated** *HK$'000*
Revenue	8,810,004	(122,065)	8,687,939
Cost of sales	(7,059,277)	104,880	(6,954,397)
Gross profit	1,750,727	(17,185)	1,733,542
Other income and gains	199,321	(1,701)	197,620
Excess over the cost of a business combination	23,703	–	23,703
Selling and distribution costs	(542,586)	9,636	(532,950)
Administrative expenses	(287,266)	2,292	(284,974)
Other expenses	(80,348)	73	(80,275)
Finance costs	(359,441)	3	(359,438)
Share of profits of jointly controlled entities	–	5,677	5,677
Profit before tax	704,110	(1,205)	702,905
Income tax expense	(31,295)	1,205	(30,090)
Profit for the year	672,815	–	672,815
Profit attributable to owners of the Company	621,777	–	621,777

2.5 CHANGES OF ACCOUNTING POLICY *(Continued)*

(a) Restatement of prior years' and opening balances *(Continued)*

Items of consolidated statement of financial position as at 31 December 2008	The Group, as previously reported HK$'000	Effect of the New Policy HK$'000	The Group, as restated HK$'000
Non-current assets			
Property, plant and equipment	8,979,390	(18,855)	8,960,535
Prepaid land premiums	536,650	(1,936)	534,714
Deposits paid for acquisition of property, plant and equipment and land premiums	231,102	(1)	231,101
Goodwill	348,428	—	348,428
Deferred tax assets	2,192	—	2,192
Interests in jointly controlled entities	40,000	51,634	91,634
Total non-current assets	10,137,762	30,842	10,168,604
Current assets			
Inventories	2,277,181	(8,638)	2,268,543
Trade receivables	1,128,924	(17,192)	1,111,732
Prepayments, deposits and other receivables	358,423	(529)	357,894
Due from jointly controlled entities	1,373	1,312	2,685
Tax recoverable	29,182	—	29,182
Cash and cash equivalents	1,509,140	(32,440)	1,476,700
Total current assets	5,304,223	(57,487)	5,246,736
Current liabilities			
Trade payables	1,058,869	(873)	1,057,996
Other payables and accruals	783,282	(4,888)	778,394
Interest-bearing bank borrowings	3,416,562	—	3,416,562
Tax payable	38,269	(473)	37,796
Total current liabilities	5,296,982	(6,234)	5,290,748
Net current assets/(liabilities)	7,241	(51,253)	(44,012)
Non-current liabilities			
Interest-bearing bank and other borrowings	2,123,441	—	2,123,441
Due to a venturer of a jointly controlled entity	20,000	(20,000)	—
Deferred income	27,620	—	27,620
Deferred tax liabilities	73,467	(411)	73,056
Total non-current liabilities	2,244,528	(20,411)	2,224,117
Net assets	7,900,475	—	7,900,475
Total equity attributable to owners of the Company	7,387,721	—	7,387,721
Total equity	7,900,475	—	7,900,475

Notes to Financial Statements *(Continued)*

31 December 2009

2.5 CHANGES OF ACCOUNTING POLICY *(Continued)*

(a) Restatement of prior years' and opening balances *(Continued)*

Items of consolidated statement of cash flows for the year ended 31 December 2008	The Group, as previously reported *HK$'000*	Effect of the New Policy *HK$'000*	The Group, as restated *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	704,110	(1,205)	702,905
Adjustments for:			
Depreciation	457,288	(1,559)	455,729
Amortisation of prepaid land premiums	16,241	(51)	16,190
Share of profits of jointly controlled entities	—	(5,677)	(5,677)
Bank interest income	(23,762)	101	(23,661)
Others	414,189	(8)	414,181
	1,568,066	(8,399)	1,559,667
Increase in inventories	(1,101,247)	(1,063)	(1,102,310)
Increase in trade receivables, other receivables, etc.	(119,397)	6,307	(113,090)
Increase in trade payables, other payables and accruals	211,630	(2,672)	208,958
Cash generated from operations	559,052	(5,827)	553,225
Interest received	23,762	(101)	23,661
Hong Kong profits tax refunded	6,827	—	6,827
Overseas taxes paid	(57,693)	4,694	(52,999)
Net cash flows from operating activities	531,948	(1,234)	530,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(1,049,678)	459	(1,049,219)
Proceeds from disposal of items of property, plant and equipment	9,252	(121)	9,131
Payment of land premiums	(9,831)	—	(9,831)
Business combination	(18,420)	—	(18,420)
Others	11,321	—	11,321
Net cash flows used in investing activities	(1,057,356)	338	(1,057,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts due from jointly controlled entities	—	(12,662)	(12,662)
Others	(81,894)	—	(81,894)
Net cash flows used in financing activities	(81,894)	(12,662)	(94,556)
Net decrease in cash and cash equivalents	(607,302)	(13,558)	(620,860)
Cash and cash equivalents at beginning of year	2,021,812	(18,004)	2,003,808
Effect of foreign exchange rate changes, net	94,630	(878)	93,752
Cash and cash equivalents at end of year	1,509,140	(32,440)	1,476,700

2.5 CHANGES OF ACCOUNTING POLICY *(Continued)*

(a) Restatement of prior years' and opening balances *(Continued)*

Items of consolidated statement of financial position as at 1 January 2008	The Group, as previously reported HK$'000	Effect of the New Policy HK$'000	The Group, as restated HK$'000
Non-current assets			
Property, plant and equipment	7,635,769	(64,666)	7,571,103
Prepaid land premiums	504,706	(6,980)	497,726
Deposits paid for acquisition of property, plant and equipment and land premiums	190,236	—	190,236
Goodwill	360,889	—	360,889
Interests in jointly controlled entities	40,000	85,731	125,731
Total non-current assets	8,731,600	14,085	8,745,685
Current assets			
Inventories	1,245,823	(11,051)	1,234,772
Trade receivables	1,078,743	(20,298)	1,058,445
Prepayments, deposits and other receivables	285,699	(14,511)	271,188
Due from jointly controlled entities	19,584	24,187	43,771
Cash and cash equivalents	2,021,812	(18,004)	2,003,808
Tax recoverable	14,299	—	14,299
Total current assets	4,665,960	(39,677)	4,626,283
Current liabilities			
Trade payables	468,994	(3,961)	465,033
Other payables and accruals	1,079,369	(4,510)	1,074,859
Interest-bearing bank and other borrowings	1,662,435	—	1,662,435
Due to jointly controlled entities	—	4,128	4,128
Tax payable	53,406	—	53,406
Total current liabilities	3,264,204	(4,343)	3,259,861
Net current assets	1,401,756	(35,334)	1,366,422
Non-current liabilities			
Interest-bearing bank and other borrowings	3,140,668	—	3,140,668
Due to a venturer of a jointly controlled entity	20,000	(20,000)	—
Deferred income	27,480	—	27,480
Deferred tax liabilities	59,189	(1,249)	57,940
Total non-current liabilities	3,247,337	(21,249)	3,226,088
Net assets	6,886,019	—	6,886,019
Total equity attributable to owners of the Company	6,463,465	—	6,463,465
Total equity	6,886,019	—	6,886,019

Notes to Financial Statements *(Continued)*

31 December 2009

2.5 CHANGES OF ACCOUNTING POLICY *(Continued)*

(b) Estimated effect of changes in accounting policy on the current year

The following tables provide estimates of the extent to which each of the line items in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows for the year ended 31 December 2009 is higher or lower than it would have been had the previous policy still been applied in the year, where it is practicable to make such estimates.

Items of consolidated statement of comprehensive income for the year ended 31 December 2009	**Effect of the New Policy (increase/ (decrease) in profit for the year)** *HK$'000*
Revenue	**56,070**
Cost of sales	**(44,898)**
Gross profit	**11,172**
Other income and gains	**1,152**
Selling and distribution costs	**(5,323)**
Administrative expenses	**(2,084)**
Finance costs	**(677)**
Share of profits of jointly controlled entities	**(3,312)**
Profit before tax	**928**
Income tax expense	**(530)**
Profit for the year	**398**
Statutory reserve	**(398)**
Profit attributable to owners of the Company	**—**

2.5 CHANGES OF ACCOUNTING POLICY *(Continued)*

(b) Estimated effect of changes in accounting policy on the current year *(Continued)*

Items of consolidated statement of financial position as at 31 December 2009	Effect of the New Policy (increase/ (decrease) in net assets) *HK$'000*
Non-current assets	
Property, plant and equipment	16,375
Prepaid land premiums	1,879
Long term loan to jointly controlled entities	40,000
Interests in jointly controlled entities	(94,465)
Total non-current assets	(36,211)
Current assets	
Inventories	6,195
Trade receivables	6,196
Prepayments, deposits and other receivables	3,064
Due from a related company	51
Tax recoverable	17
Cash and cash equivalents	45,337
Total current assets	60,860
Current liabilities	
Trade payables	227
Other payables and accruals	3,216
Due to the immediate holding company	25
Due to fellow subsidiaries	352
Tax payable	39
Total current liabilities	3,859
Net current assets	57,001
Non-current liabilities	
Due to jointly controlled entities	652
Due to a venture of jointly controlled entities	20,000
Deferred tax liabilities	138
Total non-current assets	20,790
Net assets	–
Total equity attributable to owners of the Company	–
Total equity	–

Notes to Financial Statements *(Continued)*

31 December 2009

2.5 CHANGES OF ACCOUNTING POLICY *(Continued)*

(b) Estimated effect of changes in accounting policy on the current year *(Continued)*

Items of consolidated statement of cash flows for the year ended 31 December 2009	**Effect of the New Policy (increase/ (decrease))** ***HK$'000***
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	**4,240**
Adjustments for:	
Depreciation	**1,507**
Amortisation of prepaid land premiums	**56**
Bank interest income	**(175)**
	5,628
Decrease in inventories	**2,444**
Increase in trade receivables, other receivables, etc.	**7,240**
Increase in trade payables, other payable and accruals	**(2,665)**
Cash generated from operations	**12,647**
Interest received	**175**
Overseas taxes paid	**(434)**
Net cash flows from operating activities	**12,388**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of items of property, plant and equipment	**(143)**
Net cash flows used in investing activities	**(143)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in amounts due to jointly controlled entities	**652**
Net cash flows from financing activities	**652**
Net increase in cash and cash equivalents	**12,897**
Cash and cash equivalents at beginning of year	**32,440**
Cash and cash equivalents at end of year	**45,337**

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND 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 end of the reporting period. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Classification of the Union Company as a third party

One of the major suppliers of the Group is a company beneficially owned by the staff union of the Group's PRC employees (the "Union Company"). The total purchases from the Union Company accounted for approximately 61% of the total corn kernels purchased by the Group for the year. Since none of the directors nor senior management has taken part in the operations of the Union Company, and none of the Company's directors could exercise control over the Union Company, the Union Company is regarded as a third party to the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

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 2009 was HK$348,428,000 (2008: HK$348,428,000;1 January 2008: HK$360,889,000). More details are given in note 16 to the financial statements.

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 the 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, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and the 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

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 2009 was HK$9,110,180,000 (2008: HK$8,960,535,000; 1 January 2008: HK$7,571,103,000). Further details are given in note 14 to the financial statements.

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.

Allowances for inventories

The Group reviews an aged analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2009, the carrying amount of inventories was approximately HK$2,599,342,000 after netting off the allowance for inventories of approximately HK$132,030,000.

Estimation of fair value of biological assets

The Group's biological assets are stated at fair value less point-of-sale cost. This requires an independent valuer's assessment of the fair value of the biological assets. Changes in conditions of the biological assets could impact the fair value of the assets. The carrying amount of the Group's biological assets at 31 December 2009 was HK$9,168,000 (2008: Nil). More details are given in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the corn refined products segment engages in the manufacture and sale of corn refined products, including corn starch, corn gluten meal and corn oil;

(b) the corn based biochemical products segment engages in the manufacture and sale of corn based biochemical products, including corn sweeteners, polyol chemicals and amino acids; and

(c) the biological products segment engages in the breeding of cattle and the sale of beef.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax.

Segment assets exclude goodwill, interests in jointly controlled entities, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue is derived from customers based in the mainland of the People's Republic of China ("Mainland China") and in regions other than Mainland China. The geographical information is another basis on which the Group reports its segment information.

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business unit information

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business units for the year ended 31 December 2009 and 2008 and as at 1 January 2008.

Year ended 31 December 2009	**Corn refined products** *HK$'000*	**Corn based biochemical products** *HK$'000*	**Biological products** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	2,276,811	5,424,976	136,514	7,838,301
Intersegment sales	2,635,083	—	—	2,635,083
	4,911,894	5,424,976	136,514	10,473,384
Reconciliation:				
Elimination of intersegment sales				(2,635,083)
Revenue				7,838,301
Segment results	350,214	897	1,909	353,020
Reconciliation:				
Interest income				2,144
Unallocated gains				84,667
Corporate and other unallocated expenses				(67,358)
Finance costs				(307,169)
Profit before tax				65,304
Segment assets	6,034,904	10,618,416	109,323	16,762,643
Reconciliation:				
Elimination of intersegment receivables				(1,240,220)
Goodwill				348,428
Corporate and other unallocated assets				1,139,246
Total assets				17,010,097
Segment liabilities	507,939	2,207,687	94,602	2,810,228
Reconciliation:				
Elimination of intersegment payables				(848,081)
Interest-bearing bank and other borrowings				6,740,433
Unallocated liabilities				268,854
Total liabilities				8,971,434

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business unit information *(Continued)*

Year ended 31 December 2009	**Corn refined products** *HK$'000*	**Corn based biochemical products** *HK$'000*	**Biological products** *HK$'000*	**Total** *HK$'000*
Other segment information:				
Share of profits of jointly controlled entities	**—**	**3,132**	**—**	**3,132**
Depreciation	**118,629**	**361,208**	**193**	**480,030**
Amortisation of prepaid land premiums	**2,964**	**13,963**	**—**	**16,927**
Impairment of trade receivables	**10,941**	**30,352**	**—**	**41,293**
Write-down of inventories to net realisable value	**(3,176)**	**46,172**	**—**	**42,996**
Capital expenditure, including payment of land premiums	**24,559**	**522,633**	**—**	**547,192**
Interests in jointly controlled entities	**—**	**94,465**	**—**	**94,465**

Year ended 31 December 2008	Corn refined products (Restated) *HK$'000*	Corn based biochemical products (Restated) *HK$'000*	Biological products (Restated) *HK$'000*	Total (Restated) *HK$'000*
Segment revenue:				
Sales to external customers	2,725,994	5,961,945	—	8,687,939
Intersegment sales	2,744,483	—	—	2,744,483
	5,470,477	5,961,945	—	11,432,422
Reconciliation:				
Elimination of intersegment sales				(2,744,483)
Revenue				8,687,939
Segment results	455,618	556,214		1,011,832
Reconciliation:				
Interest income				23,661
Unallocated gains				173,959
Unallocated expenses				(147,109)
Finance costs				(359,438)
Profit before tax				702,905

Notes to Financial Statements *(Continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business unit information *(Continued)*

Year ended 31 December 2008	Corn refined products (Restated) *HK$'000*	Corn based biochemical products (Restated) *HK$'000*	Biological products (Restated) *HK$'000*	Total (Restated) *HK$'000*
Segment assets	5,035,857	9,565,357	—	14,601,214
Reconciliation:				
Elimination of intersegment receivables				(1,339,229)
Goodwill				348,428
Corporate and other unallocated assets				1,804,927
Total assets				15,415,340
Segment liabilities	385,477	1,861,295	—	2,246,772
Reconciliation:				
Elimination of intersegment payables				(769,291)
Interest-bearing bank and other borrowings				5,540,003
Unallocated liabilities				497,381
Total liabilities				7,514,865
Other segment information:				
Share of profits of jointly controlled entities	—	5,677	—	5,677
Depreciation	132,229	323,500	—	455,729
Amortisation of prepaid land premiums	4,623	11,567	—	16,190
Impairment of trade receivables	2,050	1,967	—	4,017
Write-down of inventories to net realisable value	5,024	66,160	—	71,184
Excess over the cost of a business combination	—	23,703	—	23,703
Capital expenditure, including payment of land premiums	83,424	1,193,029	—	1,276,453
Interests in jointly controlled entities	—	91,634	—	91,634

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business unit information *(Continued)*

As at 1 January 2008	Corn refined products (Restated) *HK$'000*	Corn based sweetener products (Restated) *HK$'000*	Biological products (Restated) *HK$'000*	Total (Restated) *HK$'000*
Segment assets	3,589,432	9,782,536	—	13,371,968
Segment liabilities	289,910	6,196,039	—	6,485,949
Other segment information:				
Capital expenditure, including payment of land premiums	107,526	927,430	—	1,034,956

(b) Geographical segments

Revenue from external customers

	2009 **HK$'000**	2008 (Restated) *HK$'000*
Mainland China	**6,566,406**	6,609,933
Regions other than Mainland China	**1,271,895**	2,078,006
	7,838,301	8,687,939

The revenue information above is based on the location of the customers.

Non-current assets

	Group		
	2009 **HK$'000**	2008 (Restated) *HK$'000*	1 January 2008 (Restated) *HK$'000*
Mainland China	**10,141,059**	9,872,069	8,448,467
Regions other than Mainland China	**313,450**	296,535	297,218
	10,454,509	10,168,604	8,745,685

The non-current asset information above is based on the location of assets.

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	
	2009	2008 (Restated)
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**7,838,301**	8,687,939
Other income		
Bank interest income	**2,144**	23,661
Net profit arising from the sales of packing materials and by-products	**44,005**	43,205
Government grants*	**35,805**	20,412
Others	**2,963**	12,580
	84,917	99,858
Gains		
Exchange differences	**114**	96,083
Gain on disposal of items of property, plant and equipment	**1,780**	1,679
	86,811	197,620

* Government grants of 2009 represented the rewards for environmental protection, technology innovation and improvement to certain subsidiaries located in Mainland China. Government grants of 2008 represented the sundry tax refunds awarded to certain subsidiaries located in Mainland China according to the notice of local bureau on an annual basis.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		Group	
		2009	2008 (Restated)
	Notes	***HK$'000***	*HK$'000*
Raw materials and consumables used		**4,867,577**	4,730,038
Depreciation	*14*	**480,030**	455,729
Amortisation of prepaid land premiums	*15*	**16,927**	16,190
Research and development costs		**8,553**	9,425
Auditors' remuneration		**4,280**	4,280
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**140,469**	130,311
Pension scheme contributions		**32,233**	22,141
		172,702	152,452
Impairment of goodwill	*16*	**—**	12,461
Impairment of trade receivables	*21*	**41,293**	4,017
Write-down of inventories to net realisable value #		**42,996**	71,184

\# Included in "Cost of sales" in the consolidated statement of comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

		Group	
		2009	2008 (Restated)
	Note	***HK$'000***	*HK$'000*
Interest on bank loans wholly repayable within five years		**345,759**	407,131
Finance costs for discounted notes receivable		**7,780**	10,479
		353,539	417,610
Less: Interest capitalised	*14*	**(42,775)**	(49,064)
Interest subsidies *		**(3,595)**	(9,108)
		307,169	359,438

* Non-refundable interest subsidies are granted by the local government for a specific construction project carried out by a subsidiary of the Company.

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	
	Notes	**2009** **HK$'000**	2008 *HK$'000*
Fees	*(a)*	**840**	840
Other emoluments:	*(b)*		
Basic salaries, housing benefits, other allowances and benefits in kind		**8,160**	8,160
Performance related bonuses		**—**	10,000
Pension scheme contributions		**24**	26
		8,184	18,186
		9,024	19,026

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to performance related bonuses. 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 equity holders in respect of that financial year. For the year ended 31 December 2009, no bonuses were paid to the executive directors while for the year ended 31 December 2008, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 1.6% of the net profit from ordinary activities attributable to equity holders.

(a) Independent non-executive directors

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

	2009 **HK$'000**	2008 *HK$'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 (2008: 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*
2009				
Executive directors:				
Mr. Liu Xiaoming	**3,000**	**–**	**12**	**3,012**
Mr. Xu Zhouwen	**3,000**	**–**	**–**	**3,000**
Mr. Wang Tieguang	**2,160**	**–**	**12**	**2,172**
Total	**8,160**	**–**	**24**	**8,184**
2008				
Executive directors:				
Mr. Liu Xiaoming	3,000	3,400	12	6,412
Mr. Xu Zhouwen	3,000	3,400	2	6,402
Mr. Wang Tieguang	2,160	3,200	12	5,372
Total	8,160	10,000	26	18,186

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**7,310**	2,344
Pension scheme contributions	**24**	—
	7,334	2,344

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$5,500,000	**—**	—
HK$5,500,001 to HK$6,000,000	**1**	—
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2009	2008 (Restated)
	HK$'000	*HK$'000*
Current — Hong Kong	**2,221**	(420)
Current — Mainland China	**60,896**	21,566
Deferred *(note 28)*	**(11,768)**	8,944
Total tax charge for the year	**51,349**	30,090

10. INCOME TAX EXPENSE *(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 – 2009	**Hong Kong**		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	**(147,964)**		**213,268**		**65,304**	
Tax at the statutory rate	**(24,414)**	**16.5**	**53,317**	**25.0**	**28,903**	**44.2**
Preferential tax rate offered *(note (a))*	**—**	**—**	**(6,165)**	**(2.9)**	**(6,165)**	**(9.4)**
Lower tax rate for tax relief granted *(note (b))*	**—**	**—**	**(22,651)**	**(10.6)**	**(22,651)**	**(34.7)**
Income not subject to tax	**(131)**	**0.1**	**(10,442)**	**(4.9)**	**(10,573)**	**(16.2)**
Tax losses not recognised	**16,396**	**(11.1)**	**17,490**	**8.2**	**33,886**	**51.9**
Expenses not deductible for tax	**10,370**	**(7.0)**	**17,579**	**8.2**	**27,949**	**42.8**
Tax charge at the Group's effective rate	**2,221**	**(1.5)**	**49,128**	**23.0**	**51,349**	**78.6**

Group – 2008 (Restated)	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(95,608)		798,513		702,905	
Tax at the statutory rate	(15,775)	16.5	199,628	25.0	183,853	26.2
Preferential tax rate offered *(note (a))*	—	—	(93,573)	(11.7)	(93,573)	(13.3)
Lower tax rate for tax relief granted *(note (b))*	—	—	(53,947)	(6.7)	(53,947)	(7.7)
Income not subject to tax	(1,577)	1.6	(22,324)	(2.8)	(23,901)	(3.4)
Tax losses not recognised	5,338	(5.6)	8,953	1.1	14,291	2.0
Expenses not deductible for tax	11,594	(12.1)	15,544	1.9	27,138	3.8
Tax losses utilised from previous periods	—	—	(8,018)	(1.0)	(8,018)	(1.1)
Tax deduction from purchase of domestic equipment	—	—	(21,370)	(2.7)	(21,370)	(3.0)
Effect of withholding tax on the distributable profits of the Company's PRC subsidiaries *(note 28)*	—	—	5,617	0.7	5,617	0.8
Tax charge at the Group's effective rate	(420)	0.4	30,510	3.8	30,090	4.3

10. INCOME TAX EXPENSE *(Continued)*

The statutory tax rate for all subsidiaries in Mainland China is 25% for the current year (2008: 25%).

(a) Nine (2008: Nine) subsidiaries were subject to tax concessions in 2009. The total taxable profit of the subsidiaries that are subject to tax concessions amounted to approximately HK$386,511,000 (2008: HK$847,053,000) in aggregate. They were granted tax concessions by the state tax bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which these subsidiaries would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

(b) Five (2008: five) subsidiaries, which were granted Technologically Advanced Enterprise status and were entitled to a lower applicable tax rate under Article 75 of the Detailed Rules and Regulation for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, shall be gradually transitioned to the new statutory tax rate within a period of five years. As a result, these subsidiaries enjoyed the corporate income tax rate of 15% in 2007 and are subject to the corporate income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

11. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$54,246,000 (2008: loss of HK$19,572,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDENDS

	2009 ***HK$'000***	2008 *HK$'000*
Interim — Nil (2008: HK1.5 cents) per ordinary share	**–**	34,783
Proposed final — Nil (2008: HK1.0 cent) per ordinary share	**–**	23,188
	–	57,971

The directors do not recommend the payment of any dividend for the year ended 31 December 2009.

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the Company of approximately HK$14,978,000 (2008: earnings of HK$621,777,000), and on 2,318,849,403 (2008: 2,318,849,403) ordinary shares in issue during the year.

The Group had no potential dilutive ordinary shares in issue during those years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2009	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*
At cost:					
1 January 2009					
As previously reported	3,562,780	5,315,583	150,167	1,803,152	10,831,682
Effect of adopting the equity method for investments in jointly controlled entities *(note 2.5)*	(7,290)	(17,004)	(1,172)	–	(25,466)
As restated	3,555,490	5,298,579	148,995	1,803,152	10,806,216
Additions	4,643	35,752	10,094	394,804	445,293
Disposals	(339)	(1,926)	(1,141)	–	(3,406)
Transfers	26,867	86,395	–	(113,262)	–
Surplus on revaluation	186,119	–	–	–	186,119
At 31 December 2009	3,772,780	5,418,800	157,948	2,084,694	11,434,222
Accumulated depreciation:					
1 January 2009					
As previously reported	288,485	1,460,148	103,659	–	1,852,292
Effect of adopting the equity method for investments in jointly controlled entities *(note 2.5)*	(899)	(4,925)	(787)	–	(6,611)
As restated	287,586	1,455,223	102,872	–	1,845,681
Depreciation provided during the year	94,452	361,270	24,308	–	480,030
Write-back on disposals	–	(615)	(1,054)	–	(1,669)
At 31 December 2009	382,038	1,815,878	126,126	–	2,324,042
Net book value:					
At 31 December 2009	3,390,742	3,602,922	31,822	2,084,694	9,110,180
At 31 December 2008 (restated)	3,267,904	3,843,356	46,123	1,803,152	8,960,535
Analysis of cost or valuation:					
At cost	–	5,418,800	157,948	2,084,694	7,661,442
At 31 December 2009 valuation	3,772,780	–	–	–	3,772,780
	3,772,780	5,418,800	157,948	2,084,694	11,434,222

Notes to Financial Statements *(Continued)*

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

31 December 2008	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*
At cost:					
1 January 2008					
As previously reported	3,084,763	4,495,802	119,130	1,232,814	8,932,509
Effect of adopting the equity method for investments in jointly controlled entities *(note 2.5)*	(21,098)	(53,591)	(1,295)	(1,494)	(77,478)
As restated	3,063,665	4,442,211	117,835	1,231,320	8,855,031
Additions	53,618	40,116	22,320	1,058,553	1,174,607
Disposals	(876)	(9,545)	(962)	(69)	(11,452)
Business combination	27,605	70,379	951	2,983	101,918
Transfers	181,844	496,718	–	(678,562)	–
Exchange realignment	229,634	258,700	8,851	188,927	686,112
At 31 December 2008 (restated)	3,555,490	5,298,579	148,995	1,803,152	10,806,216
Accumulated depreciation:					
1 January 2008					
As previously reported	182,007	1,043,326	71,407	–	1,296,740
Effect of adopting the equity method for investments in jointly controlled entities *(note 2.5)*	(1,044)	(11,081)	(687)	–	(12,812)
As restated	180,963	1,032,245	70,720	–	1,283,928
Depreciation provided during the year	91,510	337,062	27,157	–	455,729
Disposals	(153)	(3,321)	(526)	–	(4,000)
Business combination	483	6,528	168	–	7,179
Exchange realignment	14,783	82,709	5,353	–	102,845
At 31 December 2008 (restated)	287,586	1,455,223	102,872	–	1,845,681
Net book value:					
At 31 December 2008 (restated)	3,267,904	3,843,356	46,123	1,803,152	8,960,535
At 31 December 2007 (restated)	2,882,702	3,409,966	47,115	1,231,320	7,571,103
Analysis of cost or valuation:					
At cost	494,030	5,298,579	148,995	1,803,152	7,744,756
At 31 December 2007 valuation (restated)	3,061,460	–	–	–	3,061,460
	3,555,490	5,298,579	148,995	1,803,152	10,806,216

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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.

At 31 December 2009, 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 approximately HK$3,772,780,000. A surplus on revaluation of approximately HK$186,119,000 arising from the 2009 valuation has been credited to the asset revaluation reserve during the year ended 31 December 2009.

At 31 December 2008, the Group's leasehold buildings were stated at the 2007 valuation conducted by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, less accumulated depreciation provided since the 2007 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 2008, therefore, no revaluation has been performed as at that 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$91,839,000 (31 December 2008: HK$49,064,000; 1 January 2008: Nil).

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$3,045,674,000 (31 December 2008: HK$3,108,955,000; 1 January 2008: HK$2,723,753,000).

At 31 December 2009, certain leasehold buildings and prepaid land premiums of the Group were pledged to secure banking facilities granted to the Group amounting to approximately HK$20,068,000 (31 December 2008: HK$20,990,000; 1 January 2008: HK$21,070,000) (note 26).

At 31 December 2009, the Group has not obtained building certificates for certain leasehold buildings with a total carrying amount of HK$1,949,631,000 (31 December 2008: HK$1,974,757,000; 1 January 2008: HK$1,644,199,000). The directors considered that there were no potential risks given that the Group has obtained all certificates for the underlying land use rights.

15. PREPAID LAND PREMIUMS

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January		
As previously reported	**552,891**	520,545
Effect of adopting the equity method for investments in jointly controlled entities *(note 2.5)*	**(1,936)**	(6,980)
As restated	**550,955**	513,565
Additions	**20,455**	9,831
Business combination	**—**	10,941
Amortised during the year *(note 6)*	**(16,927)**	(16,190)
Exchange realignment	**—**	32,808
Carrying amount at 31 December	**554,483**	550,955
Current portion included in prepayments, deposits and other receivables	**(16,928)**	(16,241)
Non-current portion	**537,555**	534,714

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

At 31 December 2009, the Group has not obtained a land use right certificate for prepaid land premiums with a total carrying amount of HK$33,054,000 (31 December 2008: HK$114,722,000; 1 January 2008: Nil). The Group is in the process of applying for a stamp duty refund together with the land use right certificate for this piece of land which is expected to take a longer period of time than simply applying for the land use right certificate.

16. GOODWILL

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January:		
Cost	**360,889**	360,889
Accumulated impairment	**(12,461)**	–
Net carrying amount at 1 January	**348,428**	360,889
Cost at 1 January, net of accumulated impairment	**348,428**	360,889
Impairment during the year	**–**	(12,461)
Cost and carrying amount at 31 December	**348,428**	348,428
At 31 December:		
Cost	**360,889**	360,889
Accumulated impairment	**(12,461)**	(12,461)
Net carrying amount at 31 December	**348,428**	348,428

The impairment loss of HK$12,461,000 was recognised for the goodwill arising from the acquisition of Changchun Dacheng Special Corn Modified Starch Development Co., Ltd. ("Modified Starch") in the prior year.

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
Global Polyol Investments Limited	3,875
	348,428

16. GOODWILL *(Continued)*

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 fifteen-year period. The discount rate applied to cash flow projections is 12% (2008: 11%). No growth has been projected beyond the five-year period.

Key assumptions were used in the value in use calculation of each cash-generating unit for 31 December 2009. 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.

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 markets from where raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

No impairment loss was noted as at 31 December 2009.

17. INVESTMENTS IN SUBSIDIARIES

	Company		
			1 January
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares	**449,283**	382,316	326,534

The amounts due from subsidiaries included in the Company's current assets of HK$2,957,425,000 (31 December 2008: HK$3,233,612,000; 1 January 2008: HK$2,905,224,000) are unsecured, interest-free and have no fixed terms of repayment.

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Global Sweeteners Holdings Limited ("GSH")	Cayman Islands	Ordinary HK$104,927,400	67	Investment holding
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	PRC/ Mainland China	RMB193,000,000	100	Investment holding
Bio-chem Technology (HK) Limited	Hong Kong	Ordinary HK$2	100	Trading of corn refined products and corn based biochemical products
Changchun Dacheng Corn Development Co., Ltd.#	PRC/ Mainland China	RMB 153,940,000	100	Manufacture and sale of corn refined products
Changchun Jincheng Corn Development Co., Ltd.#	PRC/ Mainland China	RMB98,700,000	100	Manufacture and sale of corn refined products
Changchun Yucheng Sweeteners Co., Ltd.*	PRC/ Mainland China	US$40,000,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.* ("Jinzhou Yuancheng")	PRC/ Mainland China	US$44,034,000	67	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC/ Mainland China	US$2,668,000	67	Manufacture and sale of corn based sweeteners
Changchun Dihao Foodstuff Development Co., Ltd.*	PRC/ Mainland China	RMB81,000,000	67	Manufacture and sale of corn based sweetener products

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows *(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 Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC/ Mainland China	US$16,200,000	67	Manufacture and sale of crystallised sugar
Changchun Baocheng Bio-chem Development Co., Ltd.#	PRC/ Mainland China	US$12,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-chem Engineering Development Co., Ltd.#	PRC/ Mainland China	RMB154,645,600	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Fermentation Technology Development Co., Ltd.*	PRC/ Mainland China	US$43,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng New Polyol Development Co., Ltd*	PRC/ Mainland China	US$2,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.*	PRC/ Mainland China	US$40,000,000	100	Manufacture and sale of corn based biochemical products
Modified Starch#	PRC/ Mainland China	RMB99,250,000	100	Manufacture and sale of corn based biochemical products

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries are as follows *(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 GBT Bio-Chemical Co., Ltd.*	PRC/ Mainland China	US$62,000,000	100	Manufacture and sale of corn based biochemical products
Dacheng Bio-chem Technology (Songyuan) Co., Ltd.*	PRC/ Mainland China	HK$18,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-tech Development Co., Ltd.*	PRC/ Mainland China	RMB795,358,750/ RMB1,466,150,000	100	Manufacture and sale of corn based biochemical products
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/ Mainland China	US$7,770,000	67	Manufacture and sale of corn based sweetener products
Changchun Dacheng Polyols Co., Ltd. * (previously known as Changchun Dacheng Nikken Polyols Co., Ltd.) ("Sorbitol Changchun")	PRC/ Mainland China	US$6,000,000	100	Manufacture and sale of sorbitol products
Dalian Angus Beef Co., Ltd. @	PRC/ Mainland China	RMB17,000,000	41**	Breeding of cattle and sale of beef
Dacheng Industrial Trading Co ., Ltd. @	PRC/ Mainland China	RMB5,000,000	100	Trading of corn based biochemical products

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

** Dalian Angus Beef Co., Ltd. is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

@ Acquired/established during the year.

\# Registered as Sino-foreign enterprises under the PRC laws.

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. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009	2008 (Restated)	1 January 2008 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	**54,465**	51,634	85,731
Loan to a jointly controlled entity	**40,000**	40,000	40,000
	94,465	91,634	125,731

The long term loan of HK$40 million to a jointly controlled entity represents a quasi-equity loan which is stated at cost less impairment. The long term loan of HK$40 million was unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly controlled entity, whenever is earlier.

Particulars of the jointly controlled entities are as follows:

Name	Nominal value of paid-up share/ registered capital	Place of incorporation/ establishment and operations	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited	HK$1,000	Hong Kong	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd.* ("Cargill Shanghai")	US$3,000,000	PRC/Mainland China	50	50	Manufacture and sale of high fructose corn syrup

* Wholly-foreign-owned enterprise

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

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The following table illustrates the summarised financial information of the Group's jointly controlled entities:

	2009	2008 (Restated)	1 January 2008 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Share of the jointly controlled entities' assets and liabilities:			
Current assets	**60,860**	57,647	40,715
Non-current assets	**18,254**	20,791	70,608
Current liabilities	**(3,859)**	(6,393)	(4,343)
Non-current liabilities	**(20,790)**	(20,411)	(21,249)
Net assets	**54,465**	51,634	85,731

	2009	2008 (Restated)
	HK$'000	*HK$'000*
Share of the jointly controlled entities' results:		
Revenue	**56,070**	132,273
Other income	**1,152**	1,701
	57,222	133,974
Total expenses	**(52,982)**	(127,092)
Tax	**(530)**	(1,205)
Profit after tax	**3,710**	5,677
Statutory reserve	**(398)**	—
Share of profits of jointly controlled entities	**3,312**	5,677

19. BIOLOGICAL ASSETS

At the end of the reporting period, the Group's total amount and quantities of the biological assets are as follows:

Group	**2009** **HK$'000**	2009 *Units*
Breeding biological assets	**7,949**	241
Trading biological assets	**1,219**	125
	9,168	366

The Group's biological assets comprise breeding cattle and trading cattle.

The Group's biological assets were revalued at the end of each reporting period on a fair value basis. As at 31 December 2009, the Group's biological assets were independently valued by Jilin Shengxiang Minda Assets Valuation Company Limited（吉林聖祥茗達資產評估有限公司）. The fair value less estimated point-of-sale costs of the biological assets was determined using the market approach, which was determined based on the most recent market transaction prices.

A reconciliation of the carrying value of biological assets is as follows:

Group	**2009** **HK$'000**
Breeding cattle	
At 1 January	**—**
Increase due to purchases	**8,853**
Decrease due to disposals	**(904)**
At 31 December	**7,949**
Trading cattle	
At 1 January	**—**
Increase due to purchases	**136,268**
Decrease due to sales	**(135,049)**
At 31 December	**1,219**

20. INVENTORIES

	Group		
			1 January
	2009	2008	2008
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	**1,991,221**	1,556,819	806,929
Finished goods	**608,121**	711,724	427,843
	2,599,342	2,268,543	1,234,772

As at 31 December 2009, certain inventories were written down to net realisable value which amounted to approximately HK$146,135,000 (2008: HK$259,474,000).

21. TRADE AND BILLS RECEIVABLES

	Group		
			1 January
	2009	2008	2008
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**1,404,909**	1,057,907	879,122
Bills receivable	**234,033**	69,367	189,946
Impairment	**(56,835)**	(15,542)	(10,623)
	1,582,107	1,111,732	1,058,445

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.

21. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group		
			1 January
	2009	2008	2008
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	**588,566**	293,746	597,276
1 to 2 months	**413,625**	184,625	249,182
2 to 3 months	**253,646**	110,522	92,257
Over 3 months	**383,105**	538,381	130,353
	1,638,942	1,127,274	1,069,068

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

	Group	
	2009	2008
		(Restated)
	HK$'000	*HK$'000*
At 1 January	**15,542**	10,623
Impairment losses recognised *(note 6)*	**41,293**	4,017
Exchange realignment	**—**	902
	56,835	15,542

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$56,835,000 (31 December 2008: HK$15,542,000, 1 January 2008: HK$10,623,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group		
			1 January
	2009	2008	2008
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	**1,255,837**	588,893	938,715
Less than 1 month past due	**95,019**	365,117	66,868
1 to 3 months past due	**69,927**	14,533	39,998
Over 3 months past due	**218,159**	158,731	23,487
	1,638,942	1,127,274	1,069,068

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company		
			1 January			1 January
	2009	2008	2008	**2009**	2008	2008
		(Restated)	(Restated)			
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Prepayments	**494,510**	71,941	125,200	**208**	390	294
Deposits and other receivables	**251,366**	285,953	145,988	**–**	–	131
	745,876	357,894	271,188	**208**	390	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.

23. CASH AND CASH EQUIVALENTS

	Group			**Company**		
			1 January			1 January
	2009	2008	2008	**2009**	2008	2008
		(Restated)	(Restated)			
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Cash and bank balances	**1,487,951**	1,128,794	1,970,324	**211,023**	315,819	451,393
Time deposits	**129,960**	347,906	33,484	**106,365**	—	—
	1,617,911	1,476,700	2,003,808	**317,388**	315,819	451,393
Less: Pledged for bank overdraft facilities	**(23,596)**	—	—	**—**	—	—
Cash and cash equivalents	**1,594,315**	1,476,700	2,003,808	**317,388**	315,819	451,393

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$880,402,000 (31 December 2008: HK$665,051,000; 1 January 2008: HK$910,269,000). 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 time deposits are deposited with creditworthy banks with no recent history of default.

24. 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 end of the reporting period, based on the receipt of goods purchased is as follows:

	Group		
			1 January
	2009	2008	2008
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	**317,550**	786,347	358,584
1 to 2 months	**166,860**	110,484	27,920
2 to 3 months	**88,429**	46,343	13,076
Over 3 months	**244,600**	114,822	65,453
	817,439	1,057,996	465,033

25. OTHER PAYABLES AND ACCRUALS

	Group			Company		
			1 January			1 January
	2009	2008	2008	**2009**	2008	2008
		(Restated)	(Restated)			
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Payables for purchases of machinery	**135,121**	109,929	185,240	**–**	–	–
Customer deposits/ receipts in advance	**517,604**	289,124	362,484	**–**	–	–
Consideration payable for acquisition of Dacheng Industrial*	**202,988**	202,988	306,238	**–**	–	–
Accruals	**73,268**	58,663	84,452	**4,280**	3,870	698
Others	**184,593**	117,690	136,445	**5,718**	5,180	14,824
	1,113,574	778,394	1,074,859	**9,998**	9,050	15,522

* 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.

Notes to Financial Statements *(Continued)*

31 December 2009

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	31 December 2009 Effective interest rate %	31 December 2009 Maturity	31 December 2009 HK$'000	31 December 2008 (Restated) Effective interest rate %	31 December 2008 (Restated) Maturity	31 December 2008 (Restated) HK$'000	1 January 2008 (Restated) Effective interest rate %	1 January 2008 (Restated) Maturity	1 January 2008 (Restated) HK$'000
Current									
Bank loans – secured	**1.69**	**2010**	**1,914**	5.38	2009	1,834	5.38	2008	1,711
Bank loans – unsecured	**5.31-7.56/ HIBOR+2%/ LIBOR+4.5%**	**2010**	**4,472,091**	6.03-8.1/ HIBOR	2009	3,414,728	5.48-7.29	2008	1,656,001
Other loans – unsecured	**–**	**–**	**–**	–	–	–	–	2008	4,723
			4,474,005			3,416,562			1,662,435
Non-current									
Bank loans – secured	**1.69**	**2011**	**1,312**	5.38	2010-2011	3,281	5.38	2009-2011	5,200
Bank loans – unsecured	**4.86-6.57/ HIBOR+2%**	**2011-2014**	**2,251,700**	6.30-7.56/ LIBOR +5.1%	2010	2,105,407	6.30-8.16/ LIBOR +0.88%	2009-2011	3,135,468
Other loans – unsecured	**–**	**2018-2019**	**13,416**	–	2018-2019	14,753	–	–	–
			2,266,428			2,123,441			3,140,668
			6,740,433			5,540,003			4,803,103

Company	31 December 2009 Effective interest rate %	31 December 2009 Maturity	31 December 2009 HK$'000	31 December 2008 Effective interest rate %	31 December 2008 Maturity	31 December 2008 HK$'000	1 January 2008 Effective interest rate %	1 January 2008 Maturity	1 January 2008 HK$'000
Current									
Bank loans – unsecured	**LIBOR +4.5%**	**2010**	**581,250**	LIBOR +5.1%	2009	193,750	–	–	–
			581,250			193,750			–
Non-current									
Bank loans – unsecured	**–**	**–**	**–**	LIBOR +5.1%	2010	581,250	LIBOR +0.88%	2009	445,625
			581,250			775,000			445,625

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group			Company		
			1 January			1 January
	2009	2008	2008	**2009**	2008	2008
		(Restated)	(Restated)			
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Analysed into:						
Bank loans repayable:						
Within one year or on demand	**4,474,005**	3,416,562	1,657,712	**581,250**	193,750	–
In the second year	**1,885,934**	2,108,688	2,981,113	**–**	581,250	445,625
In the third to fifth years, inclusive	**367,078**	–	159,555	**–**	–	–
	6,727,017	5,525,250	4,798,380	**581,250**	775,000	445,625
Other borrowings repayable:						
Within one year or on demand	**–**	–	4,723	**–**	–	–
Beyond five years	**13,416**	14,753	–	**–**	–	–
	13,416	14,753	4,723	**–**	–	–
	6,740,433	5,540,003	4,803,103	**581,250**	775,000	445,625

At 31 December 2009, the Group's mortgage loan facility was secured by certain leasehold buildings and prepaid land premiums amounting to approximately HK$20,068,000 (31 December 2008: HK$20,990,000, 1 January 2008: HK$21,070,000).

At 31 December 2009, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with amounts of approximately HK$4,552,285,000 (31 December 2008: HK$6,092,888,000, 1 January 2008: HK$4,627,045,000) and approximately HK$926,966,000 (31 December 2008: HK$814,607,000, 1 January 2008: HK$673,100,000), respectively.

Included above was a long term loan of US$75 million (equivalent to approximately HK$581 million) borrowed from a bank in Hong Kong which required the Group to fulfill certain financial covenants. As detailed in note 2.1 to the financial statements, at the end of the reporting period, the Group was unable to comply with one of the financial covenants and accordingly the whole amount was classified as the bank loans repayable within one year or on demand under the current liability.

27. DEFERRED INCOME

The table below presents the movements of deferred income:

	Group		
	2009	2008 (Restated)	2008 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	**27,620**	27,480	26,451
Addition	**8,589**	—	—
Amortised during the year	**(2,021)**	(2,020)	(625)
Exchange realignment	**—**	2,160	1,654
At 31 December	**34,188**	27,620	27,480

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 statement of financial position. Such deferred income is amortised on the straight-line basis to the consolidated statement of comprehensive income over the expected useful lives of the relevant assets acquired.

28. DEFERRED TAX LIABILITIES AND ASSETS

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

Deferred tax liabilities — Group

Deferred tax liabilities — Group	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of properties *HK$'000*	Withholding tax on distributable profits of the Group's PRC subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2008				
As previously reported	16,339	42,850	—	59,189
Effect of adopting the equity method for investments in jointly controlled entities *(note 2.5)*	—	(1,249)	—	(1,249)
As restated	16,339	41,601	—	57,940
Deferred tax charged to:				
— consolidated statement of comprehensive income during the year *(note 10)*	5,519	—	5,617	11,136
Business combination	—	838	—	838
Exchange realignment	1,754	1,388	—	3,142
At 31 December 2008 and 1 January 2009 (Restated)	23,612	43,827	5,617	73,056
Deferred tax charged to:				
— consolidated statement of comprehensive income during the year *(note 10)*	2,556	—	—	2,556
— asset revaluation reserve	—	46,500	—	46,500
At 31 December 2009	26,168	90,327	5,617	122,112

28. DEFERRED TAX LIABILITIES AND ASSETS *(Continued)*

Deferred tax assets – Group	**Inventories provision** *HK$'000*
At 1 January 2008	
Deferred tax credited to the consolidated statement of comprehensive income during the year *(note 10)*	2,192
At 31 December 2008	2,192
Deferred tax credited to the consolidated statement of comprehensive income during the year *(note 10)*	14,324
At 31 December 2009	16,516

The Group has tax losses arising in Hong Kong of approximately HK$94,318,000 (2008: HK$36,800,000) that are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$176,376,000 (2008: HK$106,281,000) which are available for offsetting against future taxable profits in one to five years. In the opinion of the directors, deferred tax assets have not been recognised as it is uncertain whether future taxable profits would arise to offset against these losses.

Pursuant to the EITL (see note 10), which has became effective on 1 January 2008, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement applies to the undistributed earnings after 31 December 2007. Accordingly, deferred tax on undistributed earnings which are subject to this withholding tax of HK$5,617,000 has been provided during the prior year.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

Shares

Group and Company	31 December 2009 HK$'000	31 December 2008 HK$'000	1 January 2008 HK$'000
Authorised:			
10,000,000,000 (31 December 2008: 10,000,000,000; 1 January 2008: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000	1,000,000
Issued and fully paid:			
2,318,849,403 (31 December 2008: 2,318,849,403; 1 January 2008: 2,318,849,403) ordinary shares of HK$0.10 each	**231,885**	231,885	231,885

30. 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 page 38 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 capitalisation issue in prior years; and (iii) the premium arising from the placing and subscriptions of new ordinary shares in prior years.

30. RESERVES *(Continued)*

(b) Company

	Notes	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008		2,107,940	818,102	2,926,042
Loss for the year	11	—	(19,572)	(19,572)
Interim 2008 dividend	12	—	(34,783)	(34,783)
Proposed final 2008 dividend	12	—	(23,188)	(23,188)
At 31 December 2008 and at 1 January 2009		2,107,940	740,559	2,848,499
Loss for the year	11	—	(54,246)	(54,246)
Interim 2009 dividend	12	—	—	—
Proposed final 2009 dividend	12	—	—	—
At 31 December 2009		2,107,940	686,313	2,794,253

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 capitalisation issue in prior years; and (iii) 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.

31. BUSINESS COMBINATION

On 8 January 2008, Global Sweeteners (China) Limited, a subsidiary of the Company, entered into an acquisition agreement with Mitsui & Co., Ltd., Mitsui & Co., (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd. (collectively the "Mitsui Group"), to acquire the 49% equity interest in Global Sorbitol (H.K.) Company Limited ("Sorbitol HK"), at a total cash consideration of US$2,450,000 (equivalent to approximately HK$19.1 million) (the "Acquisition"). Sorbitol HK was a jointly controlled entity of the Group prior to this acquisition, and was owned as to 51% by the Group. After the completion of the Acquisition on 18 February 2008, Sorbitol HK became a subsidiary of the Group.

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

	Fair value recognised on the Acquisition *HK$'000*	**Previous carrying amount** *HK$'000*
Net assets acquired:		
Property, plant and equipment	43,785	47,029
Prepaid land premiums	6,158	4,578
Inventories	1,296	1,296
Trade receivables	4,865	4,865
Prepayments and other receivables	36	36
Tax recoverable	3,407	3,407
Cash and cash equivalents	707	707
Trade payables	(525)	(525)
Balances with group companies	(15,983)	(15,983)
Other payables	(527)	(527)
Deferred tax	(389)	(805)
	42,830	44,078
Excess over the cost of a business combination recognised in the consolidated statement of comprehensive income	(23,703)	
Satisfied by cash	19,127	

31. BUSINESS COMBINATION *(Continued)*

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

	2008 *HK$'000*
Cash consideration	(19,127)
Cash and cash equivalents acquired	707
Net outflow of cash and cash equivalents in respect of the business combination	(18,420)

Since its acquisition, Sorbitol HK contributed HK$60,191,000 to the Group's turnover and HK$6,469,000 to the consolidated profit for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2008 would have been HK$8,817,673,000 and HK$622,744,000, respectively.

32. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

At 31 December 2009, 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$4,213,520,000 (2008: HK$4,109,180,000).

33. COMMITMENTS

At 31 December 2009, the Group had capital commitments as follows:

	Group	
	2009 ***HK$'000***	2008 *HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**279,052**	217,601
Plant and machinery	**412,076**	305,253
Capital contributions	**741,237**	44,436
	1,432,365	567,290
Authorised, but not contracted for:		
Capital contributions	**—**	—
	1,432,365	567,290

The Company did not have any other significant commitments as at 31 December 2009.

34. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	**2009** **HK$'000**	2008 (Restated) *HK$'000*
Utility costs charged to jointly controlled entities	*(a)*	**10,476**	15,930
Sales of corn starch to a jointly controlled entity	*(b)*	**16,405**	17,656
Sales of corn sweeteners to a jointly controlled entity	*(c)*	**–**	9,872
Sales of goods to the Mitsui Group	*(d)*	**–**	9,988

Notes:

(a) The utility costs were charged to Sorbitol Changchun, a jointly controlled entity in which the Group effectively held a 51% equity interest before 18 February 2008 and Cargill Shanghai, a jointly controlled entity of the Group, based on the actual costs incurred.

(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.

(c) The sales of corn sweeteners to Sorbitol Changchun were at prices which are comparable to the prices offered to other customers of the Group. The Group held a 100% equity interest in Sorbitol HK since 18 February 2008, and since then such transactions were eliminated in full on consolidation of the Group.

(d) The transactions with the Mitsui Group, a then joint venture partner of Sorbitol Changchun, were made at prices mutually agreed between the parties. The Mitsui Group ceased to be a related party following the acquisition of the remaining equity interest in Sorbitol HK during 2008.

Apart from the above, during 2008, the Group acquired the remaining 49% equity interest in Sorbitol HK from the Mitsui Group at a total cash consideration of US$2,450,000 (equivalent to approximately HK$19.1 million) (see note 31).

34. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Balances with related parties

At the end of the reporting period, the Group's balances due from/to related parties were as follows:

	2009	2008	1 January 2008
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Due from jointly controlled entities	**704**	2,685	43,771
Due to jointly controlled entities	**(101)**		(4,128)
Due to a director	**(89,368)**	—	—
Total	**(88,765)**	2,685	39,643

The short term balances with jointly controlled entities and a director are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair values.

(iii) Compensation of key management personnel of the Group

	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**9,000**	19,000
Post-employment benefits	**24**	26
Total compensation paid to key management personnel	**9,024**	19,026

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	Group		
			1 January
	2009	2008	2008
Financial assets	**Loans and receivables**	Loans and receivables (Restated)	Loans and receivables (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills receivables	**1,582,107**	1,111,732	1,058,445
Financial assets included in prepayments, deposits and other receivables	**251,366**	285,953	145,988
Due from jointly controlled entities	**704**	2,685	43,771
Cash and cash equivalents	**1,594,315**	1,476,700	2,003,808
Total	**3,428,492**	2,877,070	3,252,012

	Group		
			1 January
	2009	2008	2008
Financial liabilities	**Financial liabilities at amortised cost**	Financial liabilities at amortised cost (Restated)	Financial liabilities at amortised cost (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	**817,439**	1,057,996	465,033
Financial liabilities included in other payables and accruals	**1,040,306**	719,731	990,407
Interest-bearing bank and other borrowings	**6,740,433**	5,540,003	4,803,103
Amounts due to jointly controlled entities	**101**	—	4,128
Amount due to a director	**89,368**	—	—
Total	**8,687,647**	7,317,730	6,262,671

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Company		
Financial assets	**2009 Loans and receivables HK$'000**	2008 Loans and receivables HK$'000	1 January 2008 Loans and receivables HK$'000
Financial assets included in prepayments, deposits and other receivables	**—**	—	131
Due from subsidiaries	**2,957,425**	3,233,612	2,905,224
Cash and cash equivalents	**317,388**	315,819	451,393
Total	**3,274,813**	3,549,431	3,356,748

	Company		
Financial liabilities	**2009 Financial liabilities at amortised cost HK$'000**	2008 Financial liabilities at amortised cost HK$'000	1 January 2008 Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables	**5,718**	5,180	181
Financial guarantee contracts	**106,918**	44,515	18,125
Interest-bearing bank borrowings	**581,250**	775,000	445,625
Total	**693,886**	824,695	463,931

36. 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 a long term loan to a jointly controlled entity. Financial liabilities of the Group include trade payables, other payables, interest-bearing bank and other borrowings and the amounts due to jointly controlled entities.

Financial assets of the Company include cash and cash equivalents, prepayments, deposits and other receivables, and 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.

36. 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 floating interest rates.

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 flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt, when considered appropriate.

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 interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*	*%*	*HK$'000*
2009					
Hong Kong dollar	**1%**	**38,733**	**34,319**	**1%**	**5,813**
2008					
Hong Kong dollar	1%	33,350	29,845	1%	7,599

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 32 to the financial statements.

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 21 and 22 to the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 to have available funding through an adequate amount of committed annual borrowing facilities from banks to meet its commitments over the following years in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	**2009**					
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Trade payables	817,439	–	–	–	–	817,439
Interest-bearing bank and other borrowings	581,250	469,622	3,692,220	2,421,774	13,416	7,178,282
Other payables	1,040,306	–	–	–	–	1,040,306
Amounts due to jointly controlled entities	101	–	–	–	–	101
Amount due to a director	89,368	–	–	–	–	89,368
	2,528,464	469,622	3,692,220	2,421,774	13,416	9,125,496

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows: *(continued)*

Group (Restated)	2008					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,057,996	—	—	—	—	1,057,996
Interest-bearing bank and other borrowings	—	661,008	3,002,812	2,185,072	20,204	5,869,096
Other payables	719,731	—	—	—	—	719,731
	1,777,727	661,008	3,002,812	2,185,072	20,204	7,646,823

Group (Restated)	1 January 2008					
	On Demand	Less than 3 months	3 to less than 12 Months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	465,033	—	—	—	—	465,033
Interest-bearing bank and other borrowings	—	—	1,662,435	3,140,668	—	4,803,103
Other payables	990,407	—	—	—	—	990,407
Amounts due to jointly controlled entities	4,128	—	—	—	—	4,128
	1,459,568	—	1,662,435	3,140,668	—	6,262,671

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows: *(continued)*

Company	**2009**					
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 Months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Interest-bearing bank borrowings	**581,250**	**8,829**	**17,079**	**32,419**	**—**	**639,577**
Financial guarantee contracts	**—**	**17,460**	**40,233**	**49,225**	**—**	**106,918**
Other payables	**5,718**	**—**	**—**	**—**	**—**	**5,718**
	586,968	**26,289**	**57,312**	**81,644**	**—**	**752,213**

Company	2008					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Interest-bearing bank borrowings	—	296,549	11,313	485,650	—	793,512
Financial guarantee contracts	—	—	26	36,172	8,317	44,515
Other payables	5,180	—	—	—	—	5,180
	5,180	296,549	11,339	521,822	8,317	843,207

Company	1 January 2008					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Supply risk

For each financial year, the Group would enter 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 the purchases of corn kernels, the principal raw materials for the production of certain of the Group's products. Pursuant to the existing purchase agreements, the Group agrees to purchase from the Union Company a total of 2,000,000 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 was 84,000 tons amounting to approximately HK$117 million since the effective date of the existing purchase agreements. At the end of the reporting period, the purchase commitment pursuant to the above agreements was approximately 1,916,000 tons, and the directors have estimated the amount to be approximately HK$2,908 million (2008: HK$1,740 million).

If the supplier is unable to obtain corn kernels for sales 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 objectives of the Group's capital management are 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 shareholders' 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 for managing capital during the years ended 31 December 2009 and 31 December 2008.

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 around 50%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the ends of the reporting periods were as follows:

Group	**2009** ***HK$'000***	2008 (Restated) *HK$'000*
Interest-bearing bank and other borrowings	**6,740,433**	5,540,003
Less: Cash and cash equivalents	**(1,594,315)**	(1,476,700)
Net debt	**5,146,118**	4,063,303
Capital	**7,481,878**	7,387,721
Gearing ratio	**69%**	55%

37. EVENTS AFTER THE REPORTING PERIOD

On 12 March 2010, Global Sweeteners Holdings Limited ("GSH"), a subsidiary of the Group whose shares are listed on the Stock Exchange of Hong Kong Limited, launched a public offering of Taiwan Depositary Receipts ("TDR") in Taiwan by issuing 100 million new shares of GSH and by the Group's disposing of 100 million of GSH's shares. Each TDR represents two ordinary shares of GSH. On 18 March 2010, GSH entered into the underwriting agreement with the underwriters agreeing at the offer price of NT$15.50 (equivalent to approximately HK$3.79) per TDR. On 25 March 2010, the TDR of GSH was listed on the Taiwan Stock Exchange. The Company's indirect interest in GSH was reduced from 66.76% to 52.24%. This change in the Company's ownership interest in GSH did not result in a loss of control.

38. COMPARATIVE AMOUNTS

As further explained in note 2.5 to the financial statements, due to the changes of the accounting policy during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2010.

Five Year Financial Summary

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. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting interests in the Group's jointly controlled entities, as detailed in note 2.5 to the financial statements.

	Year ended 31 December				
	2009	2008	2007	2006	2005
		(Restated)	(Restated)	(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**7,838,301**	8,687,939	6,672,940	4,704,007	4,062,930
Cost of sales	**(6,781,781)**	(6,954,397)	(5,096,401)	(3,528,922)	(3,020,900)
Gross profit	**1,056,520**	1,733,542	1,576,539	1,175,085	1,042,030
Other income and gains	**86,811**	197,620	119,458	46,934	28,278
Gain on spin-off of a subsidiary group	**—**	—	270,913	—	—
Excess over the cost of a business combination	**—**	23,703	—	—	—
Selling and distribution costs	**(434,978)**	(532,950)	(362,945)	(282,279)	(273,228)
Administrative expenses	**(264,951)**	(284,974)	(219,619)	(148,445)	(108,079)
Other expenses	**(74,241)**	(80,275)	(32,575)	(45,451)	(15,460)
Finance costs	**(307,169)**	(359,438)	(265,680)	(206,285)	(88,566)
Share of profits/(losses) of jointly controlled entities	**3,312**	5,677	8,758	17,399	(4,748)
PROFIT BEFORE TAX	**65,304**	702,905	1,094,849	556,958	580,227
Income tax expense	**(51,349)**	(30,090)	(114,994)	(55,730)	(39,887)
PROFIT FOR THE YEAR	**13,955**	672,815	979,855	501,228	540,340
(Loss)/profit attributable to:					
Owners of the Company	**(14,978)**	621,777	943,487	501,228	466,485
Minority interests	**28,933**	51,038	36,368	—	73,855
	13,955	672,815	979,855	501,228	540,340
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**17,010,097**	15,415,340	13,371,968	10,529,817	9,353,459
TOTAL LIABILITIES	**(8,971,434)**	(7,514,865)	(6,485,949)	(5,250,434)	(4,614,887)
MINORITY INTERESTS	**(556,785)**	(512,754)	(422,554)	—	—
	7,481,878	7,387,721	6,463,465	5,279,383	4,738,572

Corporate Information

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 Kin Po, *CPA Australia, HKICPA*

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Central
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LEGAL ADVISERS

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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
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Changchun, Jilin Province
The People's Republic of China

China Construction Bank
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Changchun
Jilin Province
The People's Republic of China

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

00809

KEY DATES

Closure of register of members:
27 May 2010 to 31 May 2010
(both days inclusive)
Annual general meeting:
31 May 2010