Global Bio-chem Technology Group Company Limited

大成生化科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

website: http://www.globalbiochem.com

Stock code: 0809

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005	Change %
Turnover (HK$'Mn)	**4,743**	4,079	16
Net profit from ordinary activities attributable to shareholders (HK$'Mn)	**501**	466	8
Basic earnings per share (HK cents)	**21.6**	20.4	6
Proposed final dividend per share (HK cents)	**2.0**	1.5	33

RESULTS

The board (the "Board") of directors (the "Directors") of Global Bio-chem Technology Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") and its share of each of jointly-controlled entities for the year ended 31 December 2006 (the "Year"), together with the comparative figures in the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2006 HK$'000	2005 HK$'000
REVENUE	3	**4,742,942**	4,078,890
Cost of sales		**(3,536,166)**	(3,027,532)
Gross profit		**1,206,776**	1,051,358
Other income and gains	3	**48,630**	28,949
Selling and distribution costs		**(293,082)**	(277,451)
Administrative expenses		**(152,893)**	(118,056)
Other expenses		**(45,451)**	(15,460)
Finance costs	5	**(207,022)**	(89,106)
PROFIT BEFORE TAX	6	**556,958**	580,234
Tax	7	**(55,730)**	(39,895)
PROFIT FOR THE YEAR		**501,228**	540,339

	Notes	2006 *HK$'000*	2005 *HK$'000*
Attributable to:			
Equity holders of the Company		**501,228**	466,484
Minority interests		**—**	73,855
		501,228	540,339
DIVIDENDS	9		
Interim		**23,188**	46,377
Proposed final		**46,377**	34,783
		69,565	81,160
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
— Basic		**HK21.6 cents**	HK20.4 cents
— Diluted		**HK21.6 cents**	HK20.2 cents

CONSOLIDATED BALANCE SHEET

	Notes	**31 December** **2006** *HK$'000*	 2005 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,376,507**	5,338,090
Prepaid land premiums		**495,319**	498,550
Deposits paid for acquisition of property, plant and equipment and land premiums		**307,042**	74,217
Goodwill		**360,889**	357,014
Long term loan to a jointly-controlled entity		**40,000**	40,000
Total non-current assets		**7,579,757**	6,307,871
CURRENT ASSETS			
Inventories		**603,669**	522,230
Trade receivables	10	**375,183**	310,534
Prepayments, deposits and other receivables		**356,169**	173,184
Due from jointly-controlled entities		**23,539**	9,113
Tax recoverable		**5,842**	13,629
Cash and cash equivalents		**1,630,041**	2,066,424
Total current assets		**2,994,443**	3,095,114

		31 December	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
CURRENT LIABILITIES			
Trade payables	11	**240,786**	317,132
Other payables and accruals		**1,019,929**	1,245,060
Interest-bearing bank and other borrowings		**3,208,809**	2,733,161
Due to a venturer of a jointly-controlled entity		**20,000**	20,000
Tax payable		**19,170**	4,728
Total current liabilities		**4,508,694**	4,320,081
NET CURRENT LIABILITIES		**(1,514,251)**	(1,224,967)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,065,506**	5,082,904
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**741,696**	329,482
Deferred income		**26,451**	—
Deferred tax liabilities		**17,975**	14,850
Total non-current liabilities		**786,122**	344,332
Net assets		**5,279,384**	4,738,572
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**231,885**	231,884
Reserves		**5,001,122**	4,471,905
Proposed final dividend		**46,377**	34,783
Total equity		**5,279,384**	4,738,572

Notes

1 BASIS OF PREPARATION

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

During the prior year, the Group was granted loan facilities of US$180 million by a syndicate of banks ("Syndicated Loan") for a term of 36 months and repayable by four equal instalments. As at 31 December 2006, the outstanding balance of the Syndicated Loan was US$150 million (equivalent to HK$1,163 million). The first repayment instalment of US$37.5 million (equivalent to HK$296 million) was due on 2 March 2007 and the remaining balance is repayable by three equal instalments which are due on 2 September 2007, 2 March 2008, 2 September 2008, 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. During the Year, a revision of the terms of the loan agreement for the relaxation of the financial covenants was made.

At the balance sheet date, the Group was unable to comply with two of the revised financial covenants. Accordingly, the whole balance of the Syndicated Loan amounting to approximately HK$1,163 million has been classified as a current liability as at 31 December 2006.

The Directors have been taking action to rectify the iteration. On 2 April 2007, the Group repaid the entire amount of the Syndicated Loan partially financed by internal resources and partially financed by a new 18-month loan of US$37.5 million (equivalent to HK$296 million) granted by a banker on 31 March 2007. In addition, the Directors have arranged to convert the Group's short term loans amounting to approximately HK$637 million to long term loans subsequent to the balance sheet date in order to improve the Group's liquidity position.

The Directors consider that the Group will have adequate working capital to finance its operation and will not result in any liquidity issue. Accordingly, these financial statements are prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and its share of each jointly-controlled entity for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

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

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows *(describe as appropriate)*:

(a) HKAS 21 ***The Effects of Changes in Foreign Exchange Rates***

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 27 ***Consolidated and Separate Financial Statements***

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements.

(c) HKAS 39 ***Financial Instruments: Recognition and Measurement***

(i) *Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. During the current and prior years, the Company provided guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Upon the adoption of this amendment, the Company is required to recognise these financial guarantee contracts as financial liabilities. The change in accounting policy has been recognised since 1 January 2005 when HKAS 39 was initially adopted by the Group/Company and the comparative amounts for the year ended 31 December 2005 have been restated. The effects of the above change are summarised below.

	2006	2005
	HK$'000	*HK$'000*
Company balance sheet at 1 January		
Increase in investments in subsidiaries	**7,485**	3,262
Increase in financial guarantee liabilities	**(3,884)**	(2,470)
	3,601	792
Company balance sheet at 31 December		
Increase in investments in subsidiaries	**17,648**	7,485
Increase in financial guarantee liabilities	**(7,327)**	(3,884)
	10,321	3,601

(ii) *Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) *Amendment for cash flow hedge accounting of forecast intragroup transactions*

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

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

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for accounting period beginning on or after 1 January 2009. The standard requires disclosures that enable users of the financial statements to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environment in which the Group operates.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. 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:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**4,742,942**	4,078,890
Other income		
Bank interest income	**10,586**	12,421
Net profit arising from sale of packing materials and by-products	**12,628**	7,284
Government grants	**7,230**	—
Excess over the cost of a business combination	**215**	—
Sale of utilities	**1,035**	3,417
Others	**3,046**	2,461
	34,740	25,583
Gains		
Exchange differences	**13,890**	3,293
Gain on disposal of items of property, plant and equipment	**—**	73
	48,630	28,949

4. SEGMENT INFORMATION

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

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

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

(b) the corn based biochemical products segment comprises the manufacture and sale of modified starch, corn sweeteners, amino acids and polyol chemical products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers. Summary details of the geographical segments for revenues are as disclosed below.

Intersegment sales and transfers are transacted with reference to either the selling prices used for sales made to third parties at the then prevailing market prices or at cost plus mark-up basis which is determined by the management.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Group	Corn refined products 2006 HK$'000	Corn refined products 2005 HK$'000	Corn based biochemical products 2006 HK$'000	Corn based biochemical products 2005 HK$'000	Eliminations 2006 HK$'000	Eliminations 2005 HK$'000	Consolidated 2006 HK$'000	Consolidated 2005 HK$'000
Segment revenue:								
Sales to external customers	**1,616,007**	1,811,472	**3,126,935**	2,267,418	**—**	—	**4,742,942**	4,078,890
Intersegment sales	**1,339,589**	906,869	**—**	—	**(1,339,589)**	(906,869)	**—**	—
Total	**2,955,596**	2,718,341	**3,126,935**	2,267,418	**(1,339,589)**	(906,869)	**4,742,942**	4,078,890
Segment results	**315,543**	356,224	**482,315**	322,824	**—**	—	**797,858**	679,048
Unallocated revenue							**16,156**	6,998
Unallocated expenses							**(50,034)**	(16,706)
Profit from operating activities							**763,980**	669,340
Finance costs							**(207,022)**	(89,106)
Profit before tax							**556,958**	580,234
Tax							**(55,730)**	(39,895)
Profit for the year							**501,228**	540,339
Attributable to:								
Equity holders of the Company							**501,228**	466,484
Minority interests							**—**	73,855
							501,228	540,339
Assets and liabilities								
Segment assets	**2,589,679**	2,642,996	**6,297,431**	5,646,477	**—**	—	**8,887,110**	8,289,473
Due from jointly-controlled entities							**63,539**	29,113
Unallocated assets							**1,623,551**	1,084,399
Total assets							**10,574,200**	9,402,985
Segment liabilities	**1,603,361**	1,073,036	**2,092,896**	1,524,450	**—**	—	**3,696,257**	2,597,486
Unallocated liabilities							**1,598,559**	2,066,927
Total liabilities							**5,294,816**	4,664,413
Other segment information:								
Capital expenditure, including payment of land premiums	**32,878**	104,876	**1,272,142**	2,060,094	**—**	—	**1,305,020**	2,164,970
Depreciation	**85,581**	80,452	**194,449**	141,321	**—**	—	**282,030**	221,773
Impairment of property, plant and equipment	**—**	—	**—**	244	**—**	—	**—**	244
Amortisation of prepaid land premiums	**3,815**	3,785	**9,629**	8,229	**—**	—	**13,444**	12,014
Impairment of prepaid land premiums	**—**	—	**—**	5,886	**—**	—	**—**	5,886
Impairment for trade receivables	**—**	—	**7,945**	—	**—**	—	**7,945**	—
Write down of inventories to net realisable value	**665**	—	**13,488**	3,365	**—**	—	**14,153**	3,365

(b) Geographical segments

The following table presents revenue and certain expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group	Mainland China		Countries other than Mainland China		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	***HK$'000***	HK$'000	***HK$'000***	HK$'000	***HK$'000***	HK$'000
Segment revenue:								
Sales to external customers	**3,603,104**	3,322,802	**1,139,838**	756,088	**—**	—	**4,742,942**	4,078,890
Other segment information:								
Capital expenditure, including payments of land premiums	**1,305,020**	2,164,970	**—**	—	**—**	—	**1,305,020**	2,164,970
Depreciation	**282,030**	221,773	**—**	—	**—**	—	**282,030**	221,773
Impairment of property, plant and equipment	**—**	244	**—**	—	**—**	—	**—**	244
Amortisation of prepaid land premiums	**13,444**	12,014	**—**	—	**—**	—	**13,444**	12,014
Impairment of prepaid land premiums	**—**	5,886	**—**	—	**—**	—	**—**	5,886
Impairment for trade receivables	**7,945**	—	**—**	—	**—**	—	**7,945**	—
Write down of inventories to net realisable value	**14,153**	3,365	**—**	—	**—**	—	**14,153**	3,365

5. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Write-off/amortisation of the arrangement fee	**15,500**	1,938
Interest on bank loans:		
Wholly repayable within five years	**223,059**	119,471
Repayable beyond five years	**528**	429
Total interest	**223,587**	119,900
Finance costs for discounting notes receivable	**2,321**	4,136
	241,408	125,974
Less: Interest capitalised	**(34,386)**	(36,868)
	207,022	89,106

6. PROFIT BEFORE TAX

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

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**2,508,227**	2,163,786
Depreciation	**282,030**	221,773
Impairment of property, plant and equipment	**—**	244
Impairment of prepaid land premiums	**—**	5,886
Amortisation of prepaid land premiums	**13,444**	12,014
Research and development costs	**10,207**	5,965
Auditors' remuneration	**9,728**	4,450
Employee's benefits expenses		
Directors' remuneration	**21,208**	21,238
Wages and salaries	**104,539**	75,109
Pension scheme contributions	**225**	1,101
Impairment of accounts receivable	**7,945**	—
Write-down of inventories to net realisable value	**14,153**	3,365
Loss on disposal of items of property, plant and equipment	**775**	—

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the Year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**6,511**	2,445
Current — Elsewhere	**46,094**	33,191
Deferred	**3,125**	4,259
Total tax charge for the year	**55,730**	39,895

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 — 2006

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

Group — 2005

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(37,443)		617,677		580,234	
Tax at the statutory rate	(6,553)	17.5	203,833	33	197,280	34.0
Preferential tax rate offered	—	—	(111,182)	(18)	(111,182)	(19.2)
Lower tax rate for tax relief granted	—	—	(64,238)	(10.4)	(64,238)	(11.1)
Income not subject to tax	(2,191)	5.9	—	—	(2,191)	(0.3)
Tax losses not recognised	8,174	(21.8)	—	—	8,174	1.4
Expenses not deductible for tax	3,574	(9.6)	9,037	1.5	12,611	2.2
Tax losses utilised from previous periods	(559)	1.5	—	—	(559)	(0.1)
Tax charge at the Group's effective rate	2,445	(6.5)	37,450	6.1	39,895	6.9

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

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

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

The calculation of basic earnings per share and diluted earnings per share are based on the consolidated profit for the year attributable to ordinary equity holders of the Company of approximately HK$501,228,000 (2005: HK$466,484,000), and the weighted average number of 2,318,848,802 (2005: 2,282,302,102) ordinary shares in issue during the year. As the exercise price of the warrants was higher than the average market price of the Company's ordinary shares during the year, no shares were assumed to have been issued on the deemed exercise of the Company's warrants during the year.

The calculation of diluted earnings per share for the year ended 31 December 2005 was based on the consolidated net profit from ordinary activities attributable to shareholders for the year of approximately HK$466,484,000 and on 2,303,785,758 ordinary shares, being the weighted average number of 2,282,302,102 ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 21,483,656 ordinary shares deemed to be issued at no consideration up to the date of the exercise of the share options during the year. In addition, as the exercise price of the warrants was higher than the average market price of the Company's ordinary shares during the year, no shares were assumed to have been issued on the deemed exercise of the Company's warrants for the year ended 31 December 2005.

9. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim — HK1 cent (2005: HK2 cents) per ordinary share	**23,188**	46,377
Proposed final — HK2 cents (2005: HK1.5 cents) per ordinary share	**46,377**	34,783
	69,565	81,160

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

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 1 month	**233,791**	198,744
1 to 2 months	**57,666**	58,039
2 to 3 months	**36,289**	21,625
Over 3 months	**47,437**	32,126
	375,183	310,534

11. TRADE PAYABLES

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

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 1 month	**145,426**	185,521
1 to 2 months	**19,747**	31,981
2 to 3 months	**12,677**	23,279
Over 3 months	**62,936**	76,351
	240,786	317,132

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

During the Year, the prices of oil-related materials for the production and transportation remained high. In addition, as corn kernels were one of the key raw materials for the production of ethanol, the supply became tense throughout the Year. As a result, corn kernel price rose substantially as compared to previous year. These pushed up the production and operating cost of the Group.

Global market of lysine became stable and lysine price rebounded from the bottom substantially since the second half of the Year. However, the increasing interest margin of the US and the PRC imposed additional pressure on the finance costs of the Group.

To effect a strategic allocation of client base and in view of keen demand from overseas markets, the Group further extended its sales to other regions than the PRC. During the Year, such sales accounted for approximately 24% (2005: 19%) of the Group's turnover.

Financial Performance

During the Year, the net profit attributable to shareholders increased by approximately 8% to approximately HK$501 million which was mainly attributable to the additional output of downstream products and rebound of lysine prices.

Upstream Products Segment

(Sales amount: HK$1,616 million (2005: HK$1,811 million))
(Gross profit: HK$276 million (2005: HK$398 million))

During the Year, the average selling prices of upstream products increased by approximately 5% which compensated the increase in material cost. At the same time, the volume of upstream products sold to external customers dropped by approximately 15% because of the increasing demand by the Group of upstream products as a result of its continual development of downstream products. Turnover of upstream products segment thus decreased by approximately 11% .

Due to the use of corn kernels to produce ethanol in the PRC, corn kernel supply became tense and price rose substantially. As a result, the production cost comprised mainly material cost increased substantially by approximately 15%. Although the impact was partially shifted to customers, the gross profit percentage dropped from approximately 22% in 2005 to 17% in 2006.

In view of governmental influence to avoid excessive consumption of agricultural products for industrial use, stable corn kernel price and stable gross profit margin at current level for coming years is expected by the management.

Downstream Products Segment

(Sales amount: HK$3,127 million (2005 HK$2,267 million))
(Gross profit: HK$931 million (2005 HK$653 million)

During the Year, glutamic acid, a type of amino acids, was launched while the production scales of both amino acids and corn sweeteners expanded as compared to last year. Turnover of downstream products, thus, increased by approximately 38%.

The improving operation effectiveness and efficiency were reflected from the increase in sales volume of amino acids by approximately 36%. In addition, the prices of lysine had rebounded from the bottom since the second half of 2006. Turnover and gross profit of lysine amounting to approximately HK$2,075 million (2005: HK$1,559 million) and HK$637 million (2005: HK$402 million) respectively improved substantially while gross profit percentage increased by approximately 5%.

At the same time, the volume sold and turnover of corn sweeteners including high fructose corn syrup ("HFCS") and sorbitol increased by approximately 35% and 52% to approximately 365,114 metric tonnes (2005: 270,549 metric tonnes) and approximately HK$671 million (2005: HK$441 million) respectively, which contributed additional gross profit of approximately HK$63 million aggregately.

On the other hand, due to the decrease in selling price and increase in production cost, the gross profit of modified starch dropped by approximately HK$32 million.

In view of the above, the overall gross profit from downstream products segment increased substantially by approximately 43% with a slight increase in gross profit percentage.

Overall Gross Profit % and Product Segments

The improved performance of downstream products segment was insufficient to make up for the drop of the gross profit of upstream products caused by the increase in material costs. As a result, the overall gross profit percentage dropped slightly from approximately 26% in 2005 to approximately 25% in 2006. In line with the Group's strategy to expand the portfolio of downstream products, upstream products available for sales were reducing. During the Year, the turnover and gross profit of upstream products accounted for approximately 34% (2005: 44%) and 23% (2005: 38%) of the Group's total respectively, which were approximately 10% and 15% less than preceding year respectively.

Operating Expenses, Tax and Profit Shared by Minority Shareholder

Despite of the inflation and additional legal cost, in relation to the infringement litigation operating expenses to turnover percentage of approximately 10% remained at similar level. Such performance mainly resulted from the continuous and stringent control over operating expenses, enhancement in operating efficiency arising from expansion.

The finance costs (after netting-off the amount capitalised as construction in progress of approximately HK$34 million (2005: HK$37 million)) represented approximately 4% (2005: 2%) of turnover. The increase was mainly attributable to the enlarged borrowing size and the increase in interest margin.

With the prevailing income tax laws and regulations, most of the subsidiaries established in the PRC still enjoy income tax relief. Due to the decrease in the profit from low tax rate companies and the expiry of income tax relief of certain subsidiaries, the overall effective tax rate of the Group increased to approximately 10% (2005: 7%).

In 2005, the Group acquired the entire equity interest of the Group's former minority shareholder. Therefore, minority shareholder's share of profit was then no longer necessary (2005: HK$74 million).

Performance of Joint Ventures

The Group has two joint venture projects with Cargill Inc. ("Cargill") and Mitsui Group to engage in the manufacture and sales of HFCS and sorbitol products respectively. During the Year, these joint ventures recorded an operating gain and an operating loss of approximately HK$59 million (2005: HK$24 million) and HK$20 million (2005: HK$10 million) respectively. In view of technological improvement in operating efficiency of sorbitol operation, better return from this joint venture is expected.

Increase in Net Profit Attributable to Shareholders

In view of the rebound of lysine price and capacity expansion, stringent control over operating expenses, the net profit attributable to shareholders increased slightly by approximately 8% to approximately HK$501 million (2005: HK$460 million).

Important Transaction

Acquisition of Minority Interest in Joint Ventures for the Production of Polyol Chemical Products

During the Year, the Group entered into the sale and purchase agreement to acquire from the joint venture partners, their respective entire interests in those joint ventures for the production of polyol chemical products at an aggregate consideration of US$500,000. As a result of the acquisition, those joint ventures became wholly owned subsidiaries of the Group.

The Directors believe that the acquisition will enhance the efficiency of the Group's administration and control of these companies and their respective research and production facilities. The Directors also believe that, by sharing the Group's research, production and administrative resources and facilities of the joint ventures in the future, the Group's resources can be utilised in a more efficient manner and its operational expenses can be reduced. The Group can then focus its resources on its future research and development of the polyol technology and other different technologies for the production of polyol chemicals.

Financial Resources and Liquidity

Net Borrowing Position

To support (i) additional working capital requirement (ii) the huge capital expenditure on projects including the construction of facilities and/or expansion projects in relation to lysine series, glutamic acid, corn sweeteners, polyol chemical products and a new corn refinery of approximately HK$13 million, HK$44 million, HK$79 million, HK$785 million and HK$114 million respectively, the net borrowing as at 31 December 2006 increased to approximately HK$2.3 billion (31 December 2005: HK$996 million).

Structure of Interest Bearing Borrowings

As at 31 December 2006, the Group's bank borrowings amounted to approximately HK$4.0 billion (31 December 2005: HK$3.1 billion), of which approximately 30% (31 December 2005: 48%) were denominated in HK$ or US dollars while the remainder was denominated in Renminbi ("RMB"). The average interest rate paid during the Year was approximately 6% (2005: 4%).

Due to the breach of certain financial covenants of the syndicated facilities, the whole balance of loans from syndicated facilities as at 31 December 2006 amounting to approximately HK$1,163 million was classified as current liabilities. Accordingly, the percentage of interest bearing borrowings wholly repayable within one year and in the second to the fifth years were approximately 81% (31 December 2005: 89%) and 19% (31 December 2005: 11%) respectively. As at 31 December 2006, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK$62 million (2005: HK$260 million).

Turnover Days, Liquidity Ratios and Gearing Ratios

Without any substantial change in policies of trade receivables and inventories, trade receivables turnover days and inventory turnover days remained at similar level of approximately 29 days and 62 days respectively (2005: 28 days and 63 days). In 2005, in order to ensure the compliance of certain financial covenants of syndicated facilities, payment to trade payable in last quarter 2005 was slowed down. As a result, trade creditors turnover days was relatively high. In 2006, the creditors' settlement was back to its normal pattern. So trade creditors turnover days reduced from approximately 38 days in 2005 to approximately 25 days in 2006.

As at 31 December 2006, the current ratio and the quick ratio as at 31 December 2006 dropped to approximately 0.66 (31 December 2005: 0.72) and 0.53 (31 December 2005: 0.60) respectively. In spite of the unfavourable ratios, risk of insolvency is considered minimal because sufficient and additional financial support had been sought subsequent to 31 December 2006.

Meanwhile, gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to equity were pushed up to approximately 37% (31 December 2005: 33%), 75% (31 December 2005: 65%) and 44% (31 December 2005: 21%), respectively. Drop in interest coverage (i.e. EBIDTA over finance costs) of approximately 5 times (2005: 10 times) mainly resulted from the increase in both bank borrowings size and interest margin.

Foreign Exchange Exposure

Although most of the operations were carried out in the PRC in which transactions are denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and that there will be sufficient cash resources denominated in HK$ 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 2006.

Status of Infringement Litigation

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

Prospect

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

Amino Acids

Currently, the Group's planned lysine annual production capacity includes 140,000 metric tonnes of lysine and 220,000 metric tonnes of protein lysine while the current annual consumption of lysine in the PRC had been over 200,000 metric tonnes, which is equivalent to approximately 300,000 metric tonnes of protein lysine. Although the price of lysine remained weak during the first half of the Year due to the excess supply in domestic market, the prices have rebounded from the bottom since the second half of the Year.

In addition, in order to stabilise the selling price during the transitional period for the change of the feed formula, to mitigate the risk of over-concentration in a single market and to attain worldwide recognition of the Group's products, the Group enlarged the share of overseas market. During the Year, lysine (including protein lysine) of approximately 103,000 metric tonnes (2005: 50,000 metric tonnes) was exported to regions other than the PRC, which accounted for approximately 31% (2005: 21%) of the Group's production capacity. The Group intends to further increase its export volume of lysine to markets in the US, Europe and Africa.

In addition to the lysine facilities, the construction of the glutamic acid plant in Dehui had been completed and the commercial production commenced in June 2006. The planned production capacity of this glutamic acid plant is 100,000 metric tonnes per annum.

The Group is also dedicated to the research and development of many other high value-added amino acids, including arginine, threonine and valine to fuel our growth momentum.

Upstream Refinery in Dehui

To facilitate the production of amino acids and benefit from the cost saving from vertical integration and economy of scale, construction of a corn processing plant with sweeteners production capability in Dehui is nearly completed and trial run of part of those facilities has been in place before the end of the Year.

Polyol Project

Polyol chemical products include ethylene glycol, propylene glycol, glycerin, 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 petroleum.

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

The Board is of the opinion that the PRC and other regions in Asia are markets with enormous potential for the polyol chemical products. To capture such potential huge market, the construction work of a new plant in Changchun with an initial annual production capacity of 200,000 metric tonnes of the polyol chemical products has been completed and trial run is now in progress. Definitely, the success in the polyol project will generate strong contribution to the Group in the coming future.

HFCS Project

In addition to the HFCS refinery in Shanghai, new HFCS refineries, under the master agreement with Cargill, situated close to the users are under consideration. These new refineries will relieve the heavy transportation cost because it will mainly serve the nearby customers. In the case that any new refinery to be built adjacent to our existing corn refinery, it can save production cost through vertical integration where starch slurry, instead of powder form adopted by the HFCS refinery in Shanghai.

Proposed Spin-off

On 3 April 2007, the Company made an application to The Stock Exchange of Hong Kong Limited ("the Stock Exchange") for the approval of the proposed separate listing of the shares of Global Sweeteners Holdings Limited ("Global Sweeteners") in Hong Kong. The Global Sweeteners and its subsidiaries are principally engaged in the manufacture and sales of corn sweeteners, mainly including glucose, maltose, sorbitol, crystallised glucose, HFCS and other corn sweeteners products. The Board believes that the separate listing of Global Sweeteners will be beneficial to both the Company and the Global Sweeteners.

Number and Remuneration of Employees

As at 31 December 2006, the Group had approximately 4,800 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 the 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25 May 2007 to 28 May 2007, both days inclusive, during which period no transfer of shares will be registered and no shares of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company, in order to determine the entitlements to the final dividend.

Shareholders are reminded that in order to qualify for the final dividend, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms and, in the case of warrants-holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies, must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 24 May 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices.

In the opinion of the Directors, the Company has complied throughout the Year with the code provisions contained 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").

In compliance with the Code, the Company has set up an audit committee and a remuneration committee of the Board. 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 practice of the Code to set up a nomination committee.

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management during the Year.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The Chairman of the Audit Committee is Mr Lee Yuen Kwong, who is a Certified Public Accountant and has been practising since 1990. The other members of the Audit Committee are Mr Chan Man Hon, Eric, who is a solicitor and has been practising in Hong Kong for over 21 years and Mr Li Defa, who is the Dean of the College of Animal Science and Technology, China Agricultural University.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The audited consolidated financial statements of the Company have been reviewed by the Audit Committee.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by the Listing Rules, will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Global Bio-chem Technology Group Company Limited
Liu Xiaoming — *Co-Chairman*
Xu Zhouwen — *Co-Chairman*

Hong Kong, 23 April 2007

As at the date of this announcement, the Board comprises the following Directors

Executive Directors:	*Mr Liu Xiaoming, Mr Xu Zhouwen, Mr Kong Zhanpeng and Mr Wang Tieguang*
Non-executive Director:	*Mr Patrick E Bowe*
Independent non-executive Directors:	*Mr Chan Man Hon, Eric, Mr Lee Yuen Kwong and Mr Li Defa*

* *For identification purpose only*

Please also refer to the published version of this announcement in ***South China Morning Post.***