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)

(Stock code: 00809)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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") for the year ended 31 December 2011 (the "Year"), together with the comparative figures in the previous year as follows:

	2011	2010	Increase
Revenue (HK$'Mn)	**14,439**	9,315	55%
Gross profit (HK$'Mn)	**3,367**	1,567	115%
Net profit for the year (HK$'Mn)	**1,378**	374	268%
Net profit attributable to owners of the parent (HK$'Mn)	**1,310**	332	295%
Basic earnings per share (HK cents)	**40.3**	12.1	233%
Proposed final dividend per share (HK cents)	**2.0**	1.0	100%

* *for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	**2011**	2010
		HK$'000	*HK$'000*
REVENUE	*4*	**14,438,887**	9,314,898
Cost of sales		**(11,071,452)**	(7,747,539)
Gross profit		**3,367,435**	1,567,359
Other income and gain	*4*	**133,098**	138,985
Selling and distribution costs		**(720,255)**	(550,733)
Administrative expenses		**(439,572)**	(269,927)
Other expenses		**(116,474)**	(24,378)
Finance costs	*6*	**(521,920)**	(378,546)
Gain on loss of control of a subsidiary		**14,969**	—
Share of profits and losses of jointly-controlled entities		**(2,598)**	1,196
Share of profits and losses of associates		**(742)**	—
PROFIT BEFORE TAX	*5*	**1,713,941**	483,956
Income tax expense	*7*	**(335,969)**	(110,296)
PROFIT FOR THE YEAR		**1,377,972**	373,660
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation		**485,460**	—
Income tax effect		**(121,365)**	—
		364,095	—
Share of other comprehensive income of jointly-controlled entities		**4,313**	1,712
Exchange differences on translation of financial statements of operations outside Hong Kong		**550,281**	175,321
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,296,661**	550,693

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Profit attributable to:			
Owners of the parent		**1,309,798**	331,726
Non-controlling interests		**68,174**	41,934
		1,377,972	373,660
Total comprehensive income attributable to:			
Owners of the parent		**2,168,032**	495,581
Non-controlling interests		**128,629**	55,112
		2,296,661	550,693
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**HK40.3 cents**	HK12.1 cents
Diluted	*9*	**HK40.2 cents**	N/A

Details of the proposed dividend for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**11,638,571**	9,678,118
Prepaid land lease payments		**662,156**	650,284
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**323,384**	369,345
Goodwill		**348,428**	348,428
Intangible assets		**37,798**	27,684
Deferred tax assets		**31,079**	17,513
Breeding biological assets		**9,007**	7,535
Investments in jointly-controlled entities		**99,087**	97,372
Investments in associates		**95,213**	—
Prepayments, deposits and other receivables		**8,435**	—
Total non-current assets		**13,253,158**	11,196,279
CURRENT ASSETS			
Inventories	*10*	**4,666,897**	4,185,172
Trade and bills receivables	*11*	**2,517,641**	1,920,988
Prepayments, deposits and other receivables		**1,050,395**	790,240
Trading biological assets		**1,573**	1,947
Due from jointly-controlled entities		**970**	3,335
Due from associates		**1,493**	—
Equity investments at fair value through profit or loss		**33,270**	—
Tax recoverable		**3,165**	2,469
Pledged deposits	*12*	**1,971**	55,172
Cash and cash equivalents	*12*	**2,220,195**	1,679,496
Total current assets		**10,497,570**	8,638,819
CURRENT LIABILITIES			
Trade and bills payables	*13*	**1,228,211**	758,320
Other payables and accruals		**753,300**	760,911
Interest-bearing bank borrowings		**5,789,314**	4,153,113
Due to jointly-controlled entities		—	17,299
Tax payable		**206,907**	84,296
Total current liabilities		**7,977,732**	5,773,939

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NET CURRENT ASSETS			
		2,519,838	2,864,880
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,772,996**	14,061,159
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,309,529**	4,224,425
Guaranteed bonds		**527,683**	—
Put option		**769,480**	—
Derivative financial instruments		**8,969**	—
Deferred tax liabilities		**258,518**	127,316
Deferred income		**36,277**	36,543
Total non-current liabilities		**3,910,456**	4,388,284
Net assets		**11,862,540**	9,672,875
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**326,199**	324,639
Reserves		**9,791,684**	8,341,021
Proposed final dividend	*8*	**65,240**	32,464
		10,183,123	8,698,124
Non-controlling interests		**1,679,417**	974,751
Total equity		**11,862,540**	9,672,875

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 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 guaranteed bonds, derivative financial instruments, 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$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — offsetting Financial Assets and Financial Liabilities*[6]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2015
6 Effective for annual periods beginning on or after 1 January 2014

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly-Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. Upon the adoption, the Group's deferred tax liability with respect to investment properties located in Hong Kong is expected to be reduced.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

3. 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 except that interest income, finance costs, government grants and corporate expenses are excluded from such measurement.

Segment assets exclude goodwill, 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. Another basis on which the Group reports its segment information is by geographical region.

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

Year ended 31 December 2011	**Corn refined products** *HK$'000*	**Corn based biochemical products** *HK$'000*	**Biological products** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**4,020,970**	**10,278,520**	**139,397**	**14,438,887**
Intersegment sales	**3,171,172**	**—**	**—**	**3,171,172**
Other income	**55,099**	**—**	**—**	**55,099**
	7,247,241	**10,278,520**	**139,397**	**17,665,158**
Reconciliation:				
Elimination of intersegment sales				**(3,171,172)**
Revenue				**14,493,986**
Segment results	**358,457**	**1,797,592**	**(2,259)**	**2,153,790**
Reconciliation:				
Bank interest income				**6,695**
Unallocated gains				**71,304**
Corporate and other unallocated expenses				**4,072**
Finance costs				**(521,920)**
Profit before tax				**1,713,941**
Segment assets	**8,977,683**	**12,683,098**	**129,319**	**21,790,100**
Reconciliation:				
Elimination of intersegment receivables				**(1,026,858)**
Goodwill				**348,428**
Corporate and other unallocated assets				**2,639,058**
Total assets				**23,750,728**

3. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011	Corn refined products *HK$'000*	Corn based biochemical products *HK$'000*	Biological products *HK$'000*	Total *HK$'000*
Segment liabilities	**1,769,680**	**1,355,824**	**120,617**	**3,246,121**
Reconciliation:				
Elimination of intersegment payables				**(1,026,858)**
Interest-bearing bank and other borrowings				**8,098,843**
Unallocated liabilities				**1,570,082**
Total liabilities				**11,888,188**
Other segment information:				
Share of profits and losses of jointly-controlled entities	**—**	**(2,598)**	**—**	**(2,598)**
Depreciation	**180,297**	**411,982**	**778**	**593,057**
Amortisation of land lease payments	**9,972**	**11,992**	**296**	**22,260**
Provision/(reversal of provision) for impairment of trade receivables	**(10,110)**	**24,394**	**9,756**	**24,040**
Write-down/(reversal) of inventories to net realisable value	**(18,488)**	**69,762**	**—**	**51,274**
Capital expenditure, including land lease payments	**1,282,207**	**947,831**	**1,892**	**2,231,930**
Loss on disposal of biological assets	**—**	**—**	**828**	**828**
Investments in jointly-controlled entities	**—**	**99,087**	**—**	**99,087**

3. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010	Corn refined products *HK$'000*	Corn based biochemical products *HK$'000*	Biological products *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	3,069,742	6,079,336	165,820	9,314,898
Intersegment sales	3,032,919	—	—	3,032,919
Other income	50,996	—	—	50,996
	6,153,657	6,079,336	165,820	12,398,813
Reconciliation:				
Elimination of intersegment sales				(3,032,919)
Revenue				9,365,894
Segment results	342,641	511,947	3,308	857,896
Reconciliation:				
Bank interest income				2,442
Unallocated gains				85,547
Corporate and other unallocated expenses				(83,383)
Finance costs				(378,546)
Profit before tax				483,956
Segment assets	5,451,683	12,540,614	131,446	18,123,743
Reconciliation:				
Elimination of intersegment receivables				(474,699)
Goodwill				348,428
Corporate and other unallocated assets				1,837,626
Total assets				19,835,098

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

Year ended 31 December 2010	Corn refined products *HK$'000*	Corn based biochemical products *HK$'000*	Biological products *HK$'000*	Total *HK$'000*
Segment liabilities	274,021	1,763,025	142,794	2,179,840
Reconciliation:				
Elimination of intersegment payables				(474,699)
Interest-bearing bank and other borrowings				8,377,538
Unallocated liabilities				79,544
Total liabilities				10,162,223
Other segment information:				
Share of profits and losses of jointly-controlled entities	—	1,196	—	1,196
Depreciation	166,657	357,226	326	524,209
Amortisation of land lease payments	8,397	10,714	238	19,349
Reversal of provision for impairment of trade receivables	(8,486)	(7,381)	—	(15,867)
Write-down of inventories to net realisable value	20,868	666	—	21,534
Capital expenditure, including land lease payments	40,979	1,020,656	4,612	1,066,247
Investments in jointly-controlled entities	—	97,372	—	97,372

Geographical information

(a) Revenue from external customers

	2011 ***HK$'000***	2010 *HK$'000*
Mainland China	**11,692,774**	7,207,846
Regions other than Mainland China	**2,746,113**	2,107,052
	14,438,887	9,314,898

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
Mainland China	**12,806,028**	10,764,884
Regions other than Mainland China	**416,051**	413,882
	13,222,079	11,178,766

The non-current asset information above is based on the location of assets and excludes deferred tax assets.

4. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**14,438,887**	9,314,898
Other income		
Bank interest income	**6,695**	2,442
Net profit arising from the sale of packing materials and by-products	**55,099**	50,996
Government grants*	**53,354**	80,623
Others	**4,450**	4,766
	119,598	138,827
Gain		
Gain on disposal of items of property, plant and equipment	**184**	158
Fair value gains/(losses), net:		
— Derivative financial instrument	**(8,969)**	—
— Equity investments at fair value through profit or loss	**1,173**	—
— Guaranteed bonds	**21,112**	—
	13,500	158
	133,098	138,985

* Government grants in 2011 represented the rewards to certain subsidiaries located in Mainland China for environmental protection, technology innovation and improvement and compensation for use of land owned by certain subsidiaries located in Mainland China.

5. PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**8,288,226**	5,411,089
Depreciation	**593,057**	524,209
Amortisation of land lease payments	**22,260**	19,349
Research and development costs	**12,409**	17,308
Auditors' remuneration	**4,500**	4,280
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**183,497**	158,334
Pension scheme contributions	**29,777**	10,673
	213,274	169,007
Provision/(Reversal of provision) for impairment of trade receivables, net	**24,040**	(15,867)
Write-down of inventories to net realisable value[#]	**51,274**	21,534
Fair value (gains)/losses, net:		
— Derivative financial instrument	**8,969**	—
— Equity investments at fair value through profit or loss	**(1,173)**	—
— Guaranteed bonds	**(21,112)**	—
Foreign exchange difference, net	**47,475**	1,967

[#] Included in "Cost of inventories sold" on the consolidated statement of comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**421,150**	370,325
Interest on bank loans not wholly repayable within five years	**108,348**	68,830
Finance costs for discounted notes receivable	**17,862**	13,500
Interest on guaranteed bonds	**27,714**	—
Interest on put option	**55,194**	—
	630,268	452,655
Less: Interest capitalised	**(108,348)**	(69,511)
Interest subsidies*	**—**	(4,598)
	521,920	378,546

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

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. 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	
	2011	2010
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	4,000
Current — Mainland China	**329,331**	103,112
Deferred	**6,638**	3,184
Total tax charge for the year	**335,969**	110,296

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 — 2011	**Hong Kong**		**Mainland China**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(138,160)		1,852,101		1,713,941	
Tax at the statutory rate	(22,797)	16.5	463,025	25.0	440,228	25.7
Preferential tax rate offered *(note (a))*	—	—	(104,477)	(5.6)	(104,477)	(6.1)
Lower tax rate for tax relief granted *(note (b))*	—	—	(54,424)	(2.9)	(54,424)	(3.2)
Income not subject to tax	—	—	(8,920)	(0.5)	(8,920)	(0.5)
Tax losses not recognised	22,797	(16.5)	7,173	0.4	29,970	1.7
Expenses not deductible for tax	—	—	47,976	2.5	47,976	2.8
Tax losses utilised from previous periods	—	—	(5,234)	(0.3)	(5,234)	(0.3)
Tax credit of corporate income tax for purchase of domestic equipment	—	—	(44,331)	(2.4)	(44,331)	(2.6)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	—	—	11,486	0.6	11,486	0.7
Capital gain tax on intra-group disposal of subsidiary	—	—	23,695	1.3	23,695	1.4
Tax charge at the Group's effective rate	—	—	335,969	18.1	335,969	19.6

7. INCOME TAX EXPENSE *(Continued)*

Group — 2010	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(43,118)		527,074		483,956	
Tax at the statutory rate	(7,115)	16.5	131,769	25.0	124,654	25.7
Preferential tax rate offered *(note (a))*	—	—	(19,745)	(3.7)	(19,745)	(4.1)
Lower tax rate for tax relief granted *(note (b))*	—	—	(25,391)	(4.8)	(25,391)	(5.2)
Income not subject to tax	(1,544)	3.6	(10,195)	(1.9)	(11,739)	(2.4)
Tax losses not recognised	4,907	(11.4)	26,229	5.0	31,136	6.4
Expenses not deductible for tax	7,752	(18.0)	15,926	2.9	23,678	4.9
Tax losses utilised from previous periods	—	—	(2,112)	(0.4)	(2,112)	(0.4)
Tax credit of corporate income tax for purchase of domestic equipment	—	—	(10,185)	(1.9)	(10,185)	(2.1)
Tax charge at the Group's effective rate	4,000	(9.3)	106,296	20.2	110,296	22.8

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2010: 25%).

Note:

(a) Five (2010: Five) subsidiaries were subject to tax concessions in 2011. The total taxable profit of the subsidiaries that are subject to tax concessions amounted to approximately HK$571,946,000 (2010: HK$328,333,000) in aggregate. They were granted tax concessions by the state tax bureau in accordance with the PRC Corporate Income Tax Law 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.

Changchun Dahe Bio Technology Development Co., Ltd. was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 4 November 2013. It enjoys a preferential income tax rate of 15% from 1 January 2010 onwards.

(b) The tax rates of five (2010: five) subsidiaries, which were granted the status of Technologically Advanced Enterprise 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 rates of 15% in 2007, 18% in 2008, 20% in 2009 and 22% in 2010, and are subject to the corporate income tax rates of 24% in 2011 and 25% in 2012.

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim paid – HK1.5 cents (2010: Nil) per ordinary share	**48,930**	—
Proposed final – HK2.0 cents (2010: HK1.0 cent) per ordinary share	**65,240**	32,464
	114,170	32,464

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK$1,309,798,000 (2010: HK$331,726,000), and the weighted average number of ordinary shares of 3,253,747,247 (2010: 2,748,313,018) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**1,309,798**	331,726

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,253,747,247**	2,748,313,018
Effect of dilution — weighted average number of ordinary shares:		
Share options	**2,594,813**	—
	3,256,342,060	2,748,313,018

10. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**3,189,304**	2,960,719
Finished goods	**1,477,593**	1,224,453
	4,666,897	4,185,172

11. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**2,083,299**	1,772,939
Bills receivable	**489,836**	181,860
Impairment	**(55,494)**	(33,811)
	2,517,641	1,920,988

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**867,539**	658,315
1 to 2 months	**439,410**	453,973
2 to 3 months	**185,654**	200,466
3 to 6 months	**709,288**	271,137
Over 6 months	**315,750**	337,097
	2,517,641	1,920,988

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**33,811**	56,835
Impairment losses recognised	**36,213**	17,093
Impairment losses reversed	**(12,173)**	(32,960)
Amount written off as uncollectible	**(2,439)**	(7,901)
Exchange realignment	**82**	744
	55,494	33,811

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$55,494,000 (31 December 2010: HK$33,811,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,492,603**	1,312,985
Less than 1 month past due	**487,821**	211,458
1 to 3 months past due	**479,807**	273,996
Over 3 months past due	**57,410**	122,549
	2,517,641	1,920,988

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.

A few subsidiaries have pledged trade receivables of approximately HK$116,631,000 (2010: Nil) to secure bank loans.

12. CASH AND CASH EQUIVALENTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Cash and bank balances	**2,113,808**	1,522,715
Time deposits	**108,358**	211,953
	2,222,166	1,734,668
Less: Pledged for issuance of bills payable	**(1,971)**	(55,172)
Cash and cash equivalents	**2,220,195**	1,679,496

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,331,186,000 (31 December 2010: HK$637,866,000). 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.

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the receipt of goods purchased, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**928,554**	484,816
1 to 2 months	**96,238**	94,183
2 to 3 months	**44,090**	23,468
Over 3 months	**159,329**	155,853
	1,228,211	758,320

The trade payables are non-interest-bearing and normally settled on 30 to 90 days' terms.

14. SHARE CAPITAL

Shares

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2010: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,261,989,164 (2010: 3,246,389,164) ordinary shares of HK$0.10 each	**326,199**	324,639

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

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 31 December 2009 and 1 January 2010	2,318,849,403	231,885	2,107,940	2,339,825
Issue of shares	927,539,761	92,754	602,901	695,655
	3,246,389,164	324,639	2,710,841	3,035,480
Share issue expenses	—	—	(16,732)	(16,732)
At 31 December 2010 and 1 January 2011	3,246,389,164	324,639	2,694,109	3,018,748
Issue of shares	15,600,000	1,560	23,244	24,804
	3,261,989,164	326,199	2,717,353	3,043,552
At 31 December 2011	3,261,989,164	326,199	2,717,353	3,043,552

The subscription rights attaching to 15,600,000 share options were exercised at a subscription price of HK$1.24 per share, resulting in the issue of 15,600,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$19,344,000. An amount of HK$5,460,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

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 2011, despite a gradual recovery in the global economy, challenges were still posed by the sovereign debts crisis in euro zone countries, slow recovery of the US economy, and the economic impact of calamitous natural disasters worldwide, such as the Fukushima earthquake and the consequential tsunami and nuclear catastrophe. The PRC economy hence experienced challenging market conditions with no exception. The PRC government responded by implementing a series of comprehensive measures to mitigate the macro economic impacts. The effective measures resulted in a steady growth of 9% GDP in the domestic market, taking into account the soaring inflation rate. The improving living standards in the PRC also fuelled the increase in domestic demand that resulted in increase in general products price spanning across various industries and products, particularly agricultural and food products. On the contrary, slow growth of western countries' economy pulled back the pace of global economic recovery. In light of such circumstances, the Group shifted its focus to the PRC market. As a result, although the revenue arising from export sales had still increased, it only accounted for approximately 19% of the Group's total revenue during the Year as compared to approximately 23% in the year 2010. With the Group's developed business model and holistic strategies, we managed to sustain a strong growth momentum in 2011.

The PRC government had imposed price stabilisation measures by slowing down the demand of corn kernels for corn refinery industry. The average acquisition price (net of 13% tax) of the corn kernels, the Group's principal raw material, increased to RMB1,886 per metric ton from RMB1,666 per metric ton in the same period of the last year, representing a 13% increase. However, such also had the impact of reducing the competitive environment in the industry. In comparing to the increasing pressure in market price for corn, the Group has been adopting the usual practice in maintaining reasonable inventory level of corn kernels in minimising the adverse effect from inflation.

The operating environment in animal feed industry improved significantly driven by the strong demand in food and agricultural products, and therefore amino acid business is in its favorable condition. Given the balance supply and demand of lysine products in the market, the Group's lysine business is moving towards the beginning trend of its business cycle; both the selling price and sales volume of the Group's lysine recorded a robust growth. The average selling price (net of 17% tax) of the Group's lysine increased to HK$12,225 per metric ton from HK$7,661 per metric ton in the same period of the last year, represented a 60% increase.

The crude oil price was pushed up to over US$100 a barrel at first quarter of 2011 with the outbreak of protests in the Middle East and North Africa. However, protests diluted in the second quarter of 2011, and along with the easing monetary policies in the U.S. and Japan, crude oil price remained at around US$90 a barrel. The increase in consumption of various chemicals for downstream business caused the crude oil prices to remain at relatively high level during the first half of 2011. Despite the global rout in equities markets after Standard & Poor's cut the U.S. credit rating and PRC's accelerating inflation in third quarter, the crude oil price had still managed to stabilise at over US$80 a barrel, trading at a range between US$80 to US$100 a barrel during the second half of 2011. Recently, owing to the Iran nuclear issue and the rebound of US economy, the crude oil price climbed to almost US$110 a barrel. The sustainability of high level of crude oil price in 2012 is likely to strengthen the operating environment of our polyol chemicals business.

Financial Performance

(Revenue: HK$14.4 billion (2010: HK$9.3 billion))
(Gross profit: HK$3.4 billion (2010: HK$1.6 billion))
(Net profit: HK$1,378 million (2010: HK$374 million))

The enhanced financial performance was mainly due to the significant improvement in the average selling price of all products of approximately 33% as compared with the corresponding period last year.

Upstream products segment

(Revenue: HK$4.0 billion (2010: HK$2.8 billion))
(Gross profit: HK$195 million (2010: HK$243 million))

During the Year, the average cost of corn kernels increased by approximately 15% to RMB1,793 per metric ton (2010: RMB1,556 per metric ton) while the average selling price of corn starch increased by approximately 16% to approximately HK$3,291 per metric ton (2010: HK$2,843 per metric ton) as compared to the corresponding period last year.

The average selling price and sales volume of upstream products during the Year increased by approximately 18% and approximately 22% respectively as compared to last year. However, the increasing costs of corn kernels consumed and other related cost, with slow improvement in corn refinery industry, lead to a retreat in the profit margin of the upstream products in 2011 gross profit decreased by 20% year-on-year to approximately HK$195 million. The Group's upstream business operational was basically stable, despite the fluctuations in the cost of corn kernels. According to the Group's upstream business model, corn starch mainly serves as a feedstock for the production of the Group's downstream high value-added products.

Downstream products segment

(Revenue: HK$10.3 billion (2010: HK$6.4 billion))
(Gross profit: HK$3.2 billion (2010: HK$1.3 billion))

The revenue and gross profit of downstream products surged substantially by approximately 61% and 140% respectively during the Year, which was mainly attributable to the rise in the average selling prices and sales volume of most of the Group's downstream product series of approximately 44% and 12% respectively. The year-on-year changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Year (as compared to last year) are set out as follows:

	Changes in downstream product series for the Year				
Product series	**Sales volume**	**Average selling price**	**Average cost of goods sold**	**Revenue**	**Gross profit**
Amino acids	11%	58%	31%	76%	169%
Modified starch	20%	21%	19%	45%	61%
Corn sweeteners	15%	27%	22%	46%	80%
Polyol chemicals	0%	19%	22%	19%	(9%)
Overall	12%	44%	26%	61%	140%

Among those downstream products series, the revenue and gross profit of amino acids for the Year of approximately HK$7.0 billion (2010: HK$4.0 billion) and approximately HK$2.6 billion (2010: HK$1 billion) respectively, accounted for approximately 49% (2010: 43%) and approximately 78% (2010: 63%) of the Group's total revenue and gross profit respectively. The outstanding performance of amino acids division during the Year was attributable to the significant increase in the prices of meat and egg, leading to upsurges in both demand and selling price of amino acids during the Year. The sales volume of approximately 574,000 metric tonnes (2010: 516,000 metric tonnes) increased by approximately 11% year-on-year, was initially beyond our full designed capacity of 500,000 metric tonnes. However, the management promptly reacted to the rising demand and enhanced its capacity by 20% to 600,000 metric tonnes through technological improvement in the conversion ratio of bacteria during the Year. Higher sales volume together with a remarkable year-on-year increase of approximately 58% in average selling price had also contributed to an increase of almost 1.7 times or approximately 169% in gross profit.

The modified starch division has been improving gradually since 2010 owing to the recovery of the price of paper. This division contributed a gross profit of approximately HK$52 million (2010: HK$32 million) to the Group during the Year.

The polyol chemicals division generated a revenue of approximately HK$981 million (2010: HK$824 million) in 2011. The increase in revenue was mainly due to the rebound of crude oil price during the Year, which drove up the selling price of the related refined chemical products. The average selling price of polyol chemicals increased by approximately 19% in compared with the corresponding period last year. No additional provision of closing inventories of polyol chemical products at 31 December 2011 was recorded. Although there was only nine months of production period due to the relocation of production facilities which took place in the last quarter of 2011, the gross profit contributed by this division for the Year decreased slightly to approximately HK$81 million (2010: HK$89 million). The gross profit margin decreased to approximately 8% (2010: 11%) during the Year owing to the accountability for the full year depreciation against nine month production period. In view of the stability of crude oil price and the increasing awareness of green products, the Directors believe that the Group's polyol chemicals division will operate profitably after resumption of production in the third quarter of 2012.

Benefiting from a historical high sugar price, the Group's sweeteners business saw a favourable operating environment during the Year. The sales volume and revenue of sweeteners division increased by approximately 15% and approximately 46% respectively compared with last year. The average selling price of all the sweeteners products of the Group increased by approximately 27% during the Year, driving up the gross profit of this division to approximately HK$387 million (2010: HK$214 million).

Biological products segment

During the Year, the beef and cow business recorded a revenue and gross profit of approximately HK$139 million (2010: HK$166 million) and HK$13 million (2010: HK$8 million) respectively.

Product segment

The revenue and gross profit of upstream products accounted for approximately 28% (2010: 30%) and approximately 6% (2010: 16%) of the Group's total revenue and gross profit respectively. There was no significant change in product segments. However, the percentage of gross profit contributed by the upstream division decreased because of the adverse overall performance of upstream products.

Other revenue, operating expenses, finance costs and income tax

The selling and distribution costs of approximately HK$720 million (2010: HK$551 million) increased by approximately HK$169 million or approximately 31% over the last year. The increase was mainly due to the increase in sales activities. Although the transportation costs increased as petroleum price rose, the ratio of operating expenses over the Group's revenue still decreased to approximately 5% (2010: 5.9%), due to the enhancement in operating efficiency and enlarged turnover as the base of calculation.

The administrative expenses of approximately HK$440 million (2010: HK$270 million) increased by approximately HK$170 million or approximately 63% over the last year and represented approximately 3.0% (2010: 2.9%) of the Group's revenue for the Year. The administrative expenses were stable as the Group continued to impose stringent control over the costs.

During the Year, other income of the Group decreased to approximately HK$133 million (2010: HK$139 million). The main reason for the drop was that government grants were reduced to approximately HK$53 million (2010: HK$81 million).

The other operating expenses for the Year amounted to approximately HK$116 million (2010: HK$24 million), which comprised mainly research and development expenses of approximately HK$12 million (2010: HK$17 million), exchange loss of approximately HK$47 million (2010: HK$2 million) due to appreciation of RMB, provision of doubtful debts of approximately HK$24 million (2010: recovery of doubtful debts of HK$16 million) and legal expenses spent on the infringement litigations and settlement costs for one of the cases in Europe of approximately HK$15 million (2010: HK$15 million).

Owing to the enlarged borrowing portfolio and the rise in interest rate, the finance costs of approximately HK$522 million (2010: HK$379 million) increased by approximately 38% as compared to the corresponding period last year. The interest capitalised as fixed assets was increased to approximately HK$108 million (2010: HK$70 million) for the Year. However, it is anticipated that the pressure from finance costs will remain heavy for 2012.

In view of strong performance, income tax amounting to approximately HK$336 million (2010: HK$110 million) was charged for the Year. With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can enjoy income tax relief, the overall effective tax rate of the Group decreased to approximately 20% (2010: 23%).

Share of profits of jointly controlled entities

During the Year, the high fructose corn syrup joint venture recorded a net loss attributable to the Group of approximately HK$2.6 million (2010: net profit of HK$1 million). The drop was mainly due to the reduction in sales volume.

Profit shared by minority shareholders

During the Year, profit shared by the minority shareholders amounted to approximately HK$68 million (2010: HK$42 million). The sharp increase was mainly due to the rebound of performance of the sweeteners division.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support the strategy of maintaining high stock level of corn kernels, working capital requirement for the increase in operation, and the capital expenditure on project expansions in Xinglongshan for polyol chemicals and Dehui for lysine products, a total borrowings as at 31 December 2011 maintained at approximately HK$8.6 billion (31 December 2010: HK$8.4 billion). The increase was mainly due to the effect of the appreciation of RMB translated to HK$ for reporting purpose during the Year. However, the net borrowings as at 31 December 2011 decreased to approximately HK$6.4 billion (31 December 2010: HK$6.7 billion). The decrease in the net borrowings was mainly due to the strong cash inflows generated from the satisfactory operation during the Year and the introduction of an investor for the Xinglongshan project in May 2011, which resulted in an increase in cash and cash equivalents of approximately HK$488 million in compared with the cash level as at 31 December 2010.

Structure of interest bearing borrowings

As at 31 December 2011, the Group's bank and other borrowings amounted to approximately HK$8.6 billion (31 December 2010: HK$8.4 billion), of which approximately 4% (31 December 2010: 7%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 96% were denominated in RMB. The average interest rate during the Year was increased to approximately 6.6% (2010: 5.4%) due to the rise of interest rate in PRC in 2011. In the wake of down reversal of inflation in PRC recently, the interest rate is expected to be stable in 2012.

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 2010: 50%) and approximately 11% (31 December 2010: 34%) and approximately 23% (31 December 2010: 16%) respectively. The change was mainly due to the addition of 10 years loans of RMB380 million for Xinglongshan projects during the Year. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. The turnover days of trade receivables improved significantly to approximately 64 days (2010: 75 days) for the Year due to better credit controls by the Group. Meanwhile, the trade creditors turnover days remained at similar level at approximately 40 days (2010: 36 days) because the velocity of the payment to account payables has been stabilised by the Group though the supply of materials was relatively tight for the Year. On the other hand, due to the strong performance of the Group, the fast inventory turnover caused the inventory turnover days to decrease to approximately 154 days (2010: 197 days). To assort with the growth of turnover, the Group enhanced the stock level reasonably to approximately HK$4.7 billion (31 December 2010: HK$4.2 billion).

Despite of the increase of short term bank borrowings of approximately HK$1.6 billion when compared to the position as at 31 December 2010, the current ratio and the quick ratio as at 31 December 2011 remained at similar level of approximately 1.3 (31 December 2010: 1.5) and 0.7 (31 December 2010: 0.8) respectively. It is because such negative effective was offset by the increase of operating cash flow, high level of inventories and accounts receivable. Moreover, due to the increase in cash and cash equivalents, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity improved significantly to approximately 54% (31 December 2010: 69%) and to approximately 63% (31 December 2010: 76%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity decreased to approximately 36% (31 December 2010: 42%) and 73% (31 December 2010: 87%) respectively. In view of the continual support from existing bankers, the Group can obtain continuous financing resource for its 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. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the purpose of hedging the exchange risk of the RMB450,000,000 guarantee bonds due 2014 issued (the "Bonds") in May 2011. Under the SWAP, the Group will be liable to pay HSBC 8.6% interest on the principle of US$69,875,776.40 semi-annually up to 16 May 2014 and US$69,875,776.40 on 16 May 2014. On the other hand, HSBC will pay the Group 7% interest on the principle of RMB450,000,000 semi-annually up to 16 May 2014 and RMB450,000,000 on 16 May 2014 which completely matched with the liabilities under the Bonds. The Directors believe the exchange risk of USD/RMB will be avoided by entered into the SWAP. Apart from the SWAP, the Group did not use any financial instrument for hedging purposes during the Year and the Group did not have any hedging instrument outstanding as at 31 December 2011.

ISSUANCE OF RMB450,000,000 7% GUARANTEED BONDS DUE 2014

On 6 May 2011, the Company and certain of its subsidiaries entered into a subscription agreement with HSBC (as sole lead arranger and sole bookrunner) in connection with the issue of the Bonds due 2014 ("Bonds Issue"). The Bonds Issue was completed in May 2011. The net proceeds of the Bonds Issue, after deducting commission and expenses payable by the Company, amounted to approximately RMB441,600,000 and will predominantly be used by the Company for repayment of existing indebtedness of the Group. The Bonds have been listed on the Singapore Exchange Securities Trading Limited.

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDAIRY

On 20 May 2011, China Bio-chem Group Limited ("China Bio-chem Group"), China Bio-chem Investments Limited ("China Bio-chem Investments") and Changchun Dacheng Bio-Tech Development Co., Ltd. ("Dacheng Bio-Tech"), all being wholly-owned subsidiaries of the Company, entered into the capital increase agreement with the investor, pursuant to which the investor agreed to make the first capital contribution and the second capital contribution in the amount of RMB300 million and RMB300 million in cash to the registered capital of Dacheng Bio-Tech respectively ("Capital Contribution"). The Capital Contribution has been completed and RMB600 million has been injected into Dacheng Bio-Tech in June 2011, the equity interest held by the Group in Dacheng Bio-Tech was diluted from 100% to 70.96% of the enlarged registered capital of Dacheng Bio-Tech. Such dilution of interest in Dacheng Bio-Tech constituted a deemed disposal of Dacheng Bio-Tech under Rule 14.29 of the Listing Rules. Dacheng Bio-Tech continues to be a subsidiary of the Company upon completion of the Capital Contribution.

Under the Capital Increase Agreement, China Bio-chem Investments has agreed to grant to the Investor a put option (the "Put Option"), pursuant to which the Investor shall have the right, at any time during the three calendar months commencing from the date falling on 22nd calendar month after the date of the Capital Increase Agreement, to request China Bio-chem Investments to acquire from the Investor all (but not part) the Investor's interests in the registered capital of Dacheng Bio-Tech then held by the Investor at the time of exercise of the Put Option (the "Put Interests"), for cash at the consideration (the "Put Option Exercise Price") representing 125% of the amount of the Put Interests.

Further, under the Capital Increase Agreement, China Bio-chem Investments has agreed to grant to the Investor a call option (the "Call Option"), pursuant to which, if the Put Option has not been exercised by the Investor or if all the conditions for completion of the exercise of the Put Option cannot be satisfied or waived within the prescribed period in accordance with the terms of the Capital Increase Agreement, China Bio-chem Investments shall have the right, at any time during the six calendar months commencing from the date falling on the 25th calendar month after the date of the Capital Increase Agreement, to request the Investor to sell to China Bio-chem Investments all (but not part) the Investor's interests in the registered capital of Dacheng Bio-Tech then held by the Investor at the time of exercise of the Call Option (the "Call Interests"), for cash at the consideration (the "Call Option Exercise Price") representing 125% of the amount of the Call Interests.

As the applicable percentage ratios of the Capital Contribution (and the deemed disposal) and the highest possible monetary value of the Call Option Exercise Price and the Put Option Exercise Price were more than 5% but less than 25%, the Capital Increase Agreement (and the deemed disposal) and the grant of the Call Option and Put Option constituted discloseable transactions of the Company under Rule 14.06 of the Listing Rules.

PUT OPTION

The Directors consider that the Put Option held by the Investor contains an unavoidable obligation for the Group to purchase the equity interest of Dacheng Bio-Tech for cash, which gives arise to a financial liability of approximately HK$769 million. Such financial liability is initially recognized at the present value of the redemption amount and is subsequently stated at amortised cost. In addition, the Directors have adopted an accounting policy to account for such type of transaction. This approach takes the view that the non-controlling interest continues to be recognized within equity until the Put Option is exercised.

RELOCATION OF PRODUCTION PLANT

As announced by the Company on 23 September 2011, in response to the call of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly, the Group has decided to relocate its production facilities in Lu Yuan district, Changchun, with an aggregate site area of approximately 2,000,000 sq.m., in stages. As the first stage of the relocation plan, the production plant (the "Relocated Production Plant") of the Company's subsidiary, Changchun GBT Bio-Chemical Co., Ltd., which owns a piece of land with a site area of approximately 286,000 sq.m. had been relocated (the "Relocation") to the new production facilities of the Group in Xinglongshan, Changchun. The production of the Relocated Production Plant is expected to be resumed in the third quarter of 2012. The land on which the Relocated Production Plant was originally situated will be resumed by the local government after completion of the Relocation. The Relocation had resulted in the incurrence of relocation costs amounting to approximately HK$20 million during the year 2011 and approximately HK$60 million are expected to be incurred in 2012. The Group was in negotiation with the government of the compensation and benefits for the Relocation, which compensation would generally be determined by reference to the market value of the resumed land.

TRANSFER OF CHANGCHUN JINCHENG CORN DEVELOPMENT CO., LTD.

As jointly announced by the Company and GSH on 2 September 2011, Global Corn Investments (HK) Limited (an indirect wholly-owned subsidiary of Company) and GSH entered into a sale and purchase agreement (the "Jincheng S&P Agreement") for the sale and purchase of the entire issued share capital in, and shareholder's loan of, Global Starch (BVI) Investments Limited (the "Target Company"). The Target Company is the indirect holding company of Changchun Jincheng Corn Development Co., Ltd. Pursuant to the Jincheng S&P Agreement, the consideration for the sale and purchase of the entire issued share capital in the Target Company shall be approximately HK$510 million and shall be settled upon completion by GSH allotting and issuing, credited as fully paid, 377,778,000 new ordinary shares of GSH of HK$0.1 each (the "Consideration Shares") to Global Corn Bio-chem Technology Company Limited at the issue price of HK$1.35 per share at completion. The consideration for the purchase of the shareholder's loan was a nominal amount of HK$1. Completion of Jincheng S&P Agreement had taken place on 17 November 2011. Upon completion, the Target Company, together with its subsidiaries, had become non-wholly owned subsidiaries of the Company and the interest of the Group in GSH had been increased from approximately 52.23% to approximately 64.04% immediately upon issue of the Consideration Shares.

PROSPECTS

Looking ahead, the current market conditions are likely to persist with a gradual improvement in the global economy. With the implementation of the Twelfth Five-Year Plan in the PRC, where it is envisaged to increase fiscal spending and ease credit policy for supporting domestic demand, a stable growth is anticipated in the region.

In light of the growth momentum, it is inevitable for the Group to experience growing market competition and industry consolidation. The Group shall therefore remain cautious in the implementation of its strategies for achieving a sustainable growth.

The Group will continue to strive to enlarge its market share and maintain market leadership through diversification of its product portfolio, forging strategic alliance with prominent market players and strengthening of its research and development capability with respect to operations, raw materials and new product development.

Raw Materials

The rich harvest in mid-October 2011 has stabilised the price of corn kernels at about RMB1,860 per ton (after tax of 13%) recently. The management expects the corn kernel price to remain at a relatively high level. The Group will continue to adopt the strategy of maintaining a reasonable stock level of corn kernels to minimize the impact of price fluctuations and possible future upward pressure on raw material costs.

Amino Acids

Demand for the Group's amino acids products, as feed additives, is correlated to the downstream animal feed industry. Driven by rising living standards and accelerated urbanization in the PRC, a robust growth in demand for quality meat and that for the Group's amino acids products is expected. The Group will continue to focus on improvements in operational efficiencies and push ahead with its new products development such as arginine and methionine. Through innovative R&D knowhow, the Group will be able to uplift the annual production capacity of its amino acids production facilities to approximately 800,000 metric tonnes. The launch of the newly developed protein lysine products with different concentrations will meet the demands of various animal feed markets and customers. These new protein lysine products will be an alternative to traditional lysine products, but have a better profit margin.

A newly-built facility for the production of ammonia, one of the important chemicals used in the fermentation process of the Group's amino acids products, has been operating since the second half of 2011 and is expected to commence production in the first half of 2012. By supplying its own chemical raw material in the fermentation process, the Group will be able to effectively trim down its production costs in the long run. The Group believes its well-established market position together with the improvement in production techniques and new product development will allow it to remain competitive in the industry. In view of a steady demand growth in amino acids products, lysine business will continue to be the Group's growth driver. The Group aims at consolidating its leading market position, with an 80 per cent share in the PRC market.

Polyol Chemicals

Growing global concerns on environmental issues, petroleum supply and scarce resources will create demands for eco-friendly products and a favourable environment for the development of alternative chemical raw material. Given that the Group's polyol chemical products are eco-friendly in nature, the scarcity and the high crude oil price provide a promising market opportunity. Capturing this business opportunity, the Group is eager to diversify its polyol chemical product portfolio in the long term.

Resumption of polyol chemicals production in the new Xinglongshan production facilities in the third quarter of 2012, together with the completion of the second phase of the polyol chemicals project with a production capacity of 500,000 metric tonnes in Xinglongshan in the last quarter of 2012, will serve as a positive catalyst of the Group's performance in 2012. Operation efficiency and profit margins of the new production plant in Xinglongshan are anticipated to contribute a remarkable return to the Group in the future due to better economies of scale, thereby compensating for the increasing production costs. However, its contribution to the Groups will become the main driver for growth in the near future.

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 ("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. An appeal against the judgment was lodged, but an interim decision from the Hague Appeal Court dated 29 March 2011 had been received, which upheld the Judgment.

Nevertheless, the Group has developed a bacterial strain for production of its L-lysine products which is different from those of the subject of the Judgment but of the same quality, and has ceased to use the bacterial strain that is subject to the Judgment for production L-lysine products. Therefore, the Directors believed that the decision of the Hague Appeal Court will not have any material adverse impact on the sales, financial or trading position and prospects of the Group.

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 2011.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2011, 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.

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.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2011 (the "Proposed Final Dividend") (2010: HK1.0 cent per share), which will be paid out of profits and/or share permium of the Company, to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 18 May 2012, subject to the Shareholders' approval at the forthcoming annual general meeting of the company to be held on 8 May 2012 (the "AGM"). It is expected that the Proposed Final Dividend will be paid on 22 June 2012.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM

The register of members will be closed from 7 May 2012 to 8 May 2012, both dates inclusive, during which period no transfer of shares will be registered in order to determine the entitlements to the attendance and vote at the AGM. Shareholders are reminded that in order to qualify for the attendance at the AGM, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 6 May 2012.

(ii) For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from 17 May 2012 to 18 May 2012, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, for registration no later than 4:30 p.m. on 16 May 2012.

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 all code provision of 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 did not adopt the recommended best practice of the Code to set up a nomination committee during year 2011.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. The Directors have just been notified that Mr. Zhang Fusheng, one of the executive Directors, had dealt with shares of the Company during the Year without first notifying in writing any of the co-chairmen of the Board (being the

Directors designated by the Board for the purpose of the Model Code) and obtaining a dated written acknowledgement prior to such dealings in shares. The Directors have also been notified that Mr. Zhang Fusheng has also dealt with the shares of the Company during the blackout period (being the period of 60 days immediately preceding the date of this announcement) without first notifying in writing any of the co-chairmen of the Board and obtaining a dated written acknowledgement prior to such dealings in shares. The above dealings in shares of the Company constitute breaches of paragraphs A3 and B8 of the Model Code. The Company is in the course of obtaining furhter information from Mr. Zhang Fusheng regarding these dealings in shares of the Company and will make further announcement as soon as practicable. The Stock Exchnage of Hong Kong Limited reserves its right to take further action as appropriate. Based on specific enquiry of the Company's Directors, save as aforesaid the other Directors have complied with the required standard set out in the Model Code throughout the Year.

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. The Chairman of the Audit Committee is Mr Lee Yuen Kwong, who is a Certified Public Accountant and has been practicing since 1990. The other members of the Audit Committee is Mr Chan Man Hon, Eric, who is a solicitor and has been practicing in Hong Kong for over 20 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 Group's annual results for the Year have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The 2011 annual general meeting of the Company will be held at Tianshan and Lushan Room, Level 5, Island Shangri-La Hotel, Hong Kong on Tuesday, 8 May 2012 at 3:00pm. Notice of the 2011 AGM will be published and issued to shareholders in due course.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by the Listing Rules, will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.globalbiochem.com) in due course.

On behalf of the Board
Global Bio-chem Technology Group Company Limited

Liu Xiaoming	**Xu Zhouwen**
Co-Chairman	*Co-Chairman*

Hong Kong, 21 March 2012

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

Executive Directors:	*Mr Liu Xiaoming, Mr Xu Zhouwen, Ms Wang Guifeng, Mr Zhang Fusheng and Mr Cheung Chak Fung*
Independent non-executive Directors:	*Mr Chan Man Hon, Eric, Mr Lee Yuen Kwong and Mr Li Defa*