

Chairman's Statement



SATISFACTORY RESULTS, PROFITABLE RETURNS

As the largest manufacturer of corn based biochemical products in the PRC, the Group reported continuous growth in turnover, profit and earnings per share for the year 2001. The Group has now entered a new phase of corporate development.

During the year, the Group reported satisfactory performance with earnings per share amounting to HK 25.7 cents, an increase of 7.1 per cent from that achieved by the Group in the previous year. It reflects the continuous enhancement in profit margin, which was mainly attributable to the Group's focus on producing high value and high margin downstream corn based biochemical products and the Group's effort in cost reduction in manufacturing and operations.

While in 2001 the Group made full utilisation of the production capacity available from its manufacturing facilities, it has been increasing its production capacity on a continuous basis as planned. As of March 2002, the Group's lysine production capacity has been expanded to 40,000 metric tonnes from 15,000 metric tonnes yearly, which amounted to 70 per cent of the PRC's national capacity. To ease the pressure of increased internal consumption of corn starch arising from the Group's expanding production of corn based biochemical products, the annual capacity of 600,000 metric tonnes for corn processing will be geared up to 1,200,000 metric tonnes in the first half of 2002. Through a series of expansion of manufacturing facilities, the Group has become the largest, and the only vertically integrated, corn based biochemical product manufacturer in the PRC.

Remarkably, the Group successfully listed its shares on the Main Board of the Hong Kong Stock Exchange in March 2001, thereby strengthening its financing flexibility. Through the initial public offering upon the listing and the subsequent placing in September 2001, the Group raised a total of over HK\$738 million after expenses, which provides adequate capital for the Group's development in 2002.

The Group also completed its business rationalisation by reorganising its businesses into four operating units to enhance efficiency and effectiveness throughout the Group. Coupling the reorganisation, the Group appointed professionals and experts with extensive management and operating experience from the biochemical industry to the board of directors and senior management to assist in business development and project implementation.

In August 2001, the Group entered into business co-operation with Cargill, Inc. ("Cargill") in an important strategic move towards internationalisation of its business. The establishment of Global Bio-chem-Cargill (Holdings) Limited in Hong Kong in equal partnership with Cargill marked an important milestone in this co-operation. The first investment project under the partnership vehicle is the construction of a refinery in Shanghai, the PRC which is commissioned to run an annual production capacity of 100,000 metric tonnes of high fructose corn syrup ("HFCS"). Commercial production of the refinery is scheduled to commence in June 2002. This will be a pioneering entrance of the Group, and the PRC, into mass production of HFCS.

In February 2002, Mr Patrick E Bowe, President of the North America Sweeteners Business Unit of Cargill, was appointed to the board. The appointment is expected to reinforce the strategic cooperation between the Group and Cargill.



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PURSUIT OF STRONG GROWTH THROUGH LONG-RANGE CORPORATE STRATEGIES

Following the PRC's accession to the World Trade Organisation ("WTO"), the Group envisions growing opportunities for further development in the biochemical market. The Group has been positioning itself to take advantage of these opportunities and to pursue strong growth through the implementation of its long-range corporate strategies:

- 1) continuously increase the weight of high value-added downstream corn based biochemical products in the product mix to ensure continuing enhancement in profit margin;
- 2) regularly undertake production process re-engineering to improve production efficiency and lower production costs of individual products;
- 3) constantly invest in research and development of new biochemical products and technologies to increase product lines, product types and production capabilities as well as maintain the Group's leading position;
- 4) rationalise business structure and accelerate corporate expansion through mergers, acquisitions and strategic alliances; and
- 5) take proactive steps to sustain a high rate of return to our shareholders and other stakeholders and to maintain the interactive and complementary relationship between the financial markets and the Group's corporate development.

Looking forward to 2002, the Group will not only maintain its best course as before but also step up its effort. To stay in the forefront of the industry, the Group will expedite the progress of existing expansion projects, especially the glutamic acid project. In addition, the Group will take active yet prudent action to widen its income sources and to strengthen its profit base. The Group will strive to become the largest integrated corn based biochemical product manufacturer in the Asia Pacific region. As the economy of the PRC, the Group's principal market, continues its high growth, the Group is confident that its business will prosper further.

On behalf of the Group, I would like to extend my heartfelt thanks to our staff, partners, shareholders and all parties who have rendered their support and contribution to the Group.

Liu Xiaoming
Chairman
14 March 2002

