

OUTSTANDING PERFORMANCE WITH REMARKABLE RESULTS

In 2003, Global Bio-chem sustained marvelous growth with its turnover and net profit increasing 41% and 29% respectively vis-à-vis the same period last year. The overall gross profit margin stayed at a handsome level of 37%.

In accordance with the corporate strategy of downstream products expansion and diversification, the Group speeded up the process of increasing production capacity and product offerings of high value-added downstream corn based biochemical products in the year under review. In the same period, the Group also augmented its corn processing capacity for upstream products. This, coupled with the product diversification process, effectively broadened the Group's profit sources as well as provided the Group with a solid base for high future growth.

ADHERENCE TO CORPORATE STRATEGY

Well-established position as a market leader

The Group has achieved rapid growth and accomplished great successes in various fields since its listing three years ago.

Production Capacity

With the acquisition of a corn refinery in Jinzhou in May 2003, the annual corn processing capacity of the Group increased from 600,000 metric tonnes in 2000 to 1,800,000 metric tonnes. The total volume of lysine produced also jumped in phases from 15,000 metric tonnes in 2000 to over 100,000 metric tonnes at present, which represents a remarkable market share of more than 40% in the PRC. As at today, the Group is the largest corn refiner in the PRC and in Asia and



the largest lysine manufacturer in the PRC. The Group has been recognised as a major player in the world and has committed itself to becoming the largest manufacturer of lysine in the world in the next three to five years.

Product Structure

For the downstream product segment, the portion from the sales of high value-added corn based biochemical products has increased from 29% in 2000 to 43% in 2003. This increase, coupled with a rise in profit contribution of downstream products, paves the way for rapid growth in profits. The Group has also diversified from product offerings, consisting of food-grade modified starch, lysine and corn sweeteners, into new varieties such as paper-grade modified starch, protein lysine and HFCS.

INTERNATIONAL MARKETS AND BUSINESS

The Group has managed to keep an increasing share in the PRC market and has also successfully entered into overseas markets including south-east Asia, Europe and America. Sales to these overseas markets accounted for 6% of the Group's turnover in 2003. In 2004, the Group's export will exceed 10% of turnover. Apart from alleviating the risk of over-concentration in a single market, overseas markets also offer good

opportunities for business because of price difference. In addition, collaborations with leading enterprises like Cargill, Mitsui Group of Japan as well as IPP, joint venture partners from the United States, Iceland and South Africa, signify the Group's move from being a regional enterprise to becoming an international player.

CAPITAL RESOURCES

Our shareholders consisted primarily of Asian investors at the time of listing. Currently, our shareholders also include international investors from Europe and America. Apart from maintaining smooth business relationship with banks in the PRC and in Hong Kong, the Group has also built up relationships with some leading and well recognised banks based in Europe, Middle East and other Asian countries via syndicated loan facilities. With adequate funding and effective use of capital, the Group is poised to embark on any future venture whenever business opportunities arise.

CONTINUOUS RESEARCH AND DEVELOPMENT TO SUSTAIN FUTURE GROWTH

For the purpose of securing future growth, the Group will strive hard to keep on improving operating efficiency, to invest in in-house research and development, as well as to form strategic alliances with multinational corporations, thereby upgrading the technology level and developing new products to ensure the continuous launch of high value-added downstream biochemical products to raise future growth of revenue.

For the amino acid series, apart from lysine, protein lysine, compound amino acids and glutamic acid, the Group will continue to collaborate with science and research institutes in the research and development of other amino acids, such as arginine, threonine, valine and methionine for medical, nutrition supplement and food additive markets.

For the modified starch series, the Group has commenced production of paper-grade modified starch apart from food-grade products. For the corn sweeteners series, apart from HFCS, projects on new products, polyol and sorbitol, will also commence in the near future. With the completion of the polyol project, the Group will become the first ever polyol manufacturer in the world employing innovative biological technology using environment-friendly corn starch as raw material.

Leveraging on our competitive advantages, the management will strive to steer a path for continuous growth for Global Bio-chem. On behalf of the management of the Group, we would like to extend our most heartfelt thanks to our customers, business partners, investors, shareholders and staff who have rendered continuous support over the years.

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

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