

Dear shareholders,

There had been a relatively large adjustment in the Group's 2005 operating results as a result of low lysine price due to the outbreaks of bird flu and pig disease and continued increase in the costs of energy resources and transportation expenses in the past year. Turnover and net profit amounted to HK\$4.1 billion and HK\$460 million respectively, representing an increase of 21 per cent and a decrease of 43 per cent respectively when compared with those of the previous year.

Although the Group faced a difficult operating environment, we still focus on enhancing production technology and improving production techniques by applying a new bacteria strain to lower its production cost in the past year. We also fully utilised our production capacity to rapidly expand its domestic market share to 70% and actively explore the overseas markets which the Group's exports increase by three times when compared with that in 2004. All these efforts are prepared for the recovery of lysine price in the future. The Group also actively developed other amino acid products such as arginine and threonine, among which threonine has begun to generate profit contribution to the Group.

Benefiting from the increase of international sugar price, the Group's corn sweeteners business reported outstanding performance. The gross profit of corn sweeteners increased significantly by 55 per cent when compared to that of the previous year. The business of modified starch and corn refinery products also sustained steady growth. Construction work of plants invested in 2005 had been completed with production commenced at the end of 2005. These include the glutamic acid plant in Dehui, with an annual production capacity of 100,000 metric tonnes, which completed its development and commenced trial production at the end of 2005. The glutamic acid plant will commence full operation in the second quarter of the current year. The joint venture sorbitol plant, with an annual production capacity of 60,000 metric tonnes, had already commenced producing sorbitol and crystallised glucose at the end of 2005. The Group's polyol pilot plant, with an annual production capacity of 10,000 metric tonnes, had been running smoothly during the year, with its products receiving increasing market acceptance. The pilot plant also provides accurate and reliable technical data for the construction of a polyol plant, with an annual production capacity of 200,000 metric tonnes.

Looking into 2006, the price of lysine products will be steady and improve at a steady pace. With the impact of the bird flu and pig disease gradually easing, the poultry industry will regain its vitality, and the Group's lysine business can further capitalise on its competitiveness. Due to the continued upsurge in sugar price driven by the increase in oil price, the Group will expand its corn sweeteners business to capture the opportunity. The Group plans to increase its glucose and maltose capacity by approximately 200,000 mtpa through establishing a new plant in the Jinzhou production base and develop facility with a crystallised glucose capacity of 400,000 mtpa. The Group believes its corn sweetener business will become a more significant profit contributor.

Since its establishment, the Group has been enhancing its profitability through application of advanced production technology and strong research and development capability. The Group will be able to establish new profit centres following the commencement of the operation of a 100,000 mtpa glutamic acid, 60,000 mtpa sorbitol and 10,000 mtpa threonine production lines. To maintain its competitiveness, the Group will continue to enhance production technology, to ensure its products' market niches. We will maintain the Group's growth momentum through effective mobilisation of its resources and innovative spirit.

Liu Xiaoming
Co-Chairman

Xu Zhouwen
Co-Chairman

20 April 2006