香港交易及結算所有限公司及香港聯合交易所有限公司對本公告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告全部或任何部分內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

本公告僅作參考用途，並不構成收購、購買或認購證券的邀請或要約，或訂立協議以作出任何上述事情的邀請，亦非旨在邀請任何收購、購買或認購任何證券的要約。

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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED
大 成 生 化 科 技 集 團 有 限 公 司 *

(於開曼群島註冊成立的有限公司)
(股份代號：00809)

建議發行人民幣有擔保債券

本公司擬進行建議債券發行事項的國際發售，對象為亞洲及歐洲若干合資格機構投資者。就建議債券發行事項，本公司將向該等投資者提供有關本集團的若干近期企業及財務資料，部分資料可能從未公開。本公告隨附該等近期資料的節錄，將於向機構投資者發佈有關資料的大約相同時間於本公司網站(www.globalbiochem.com)可供查閱。

截至本公告日期，仍未就建議債券發行事項訂立任何具約束力的協議，故建議債券發行事項可能或未必落實。投資者及本公司股東在買賣本公司證券時，務須審慎行事。

* *僅供識別*

緒言

本公司擬進行建議債券發行事項的國際發售，對象為亞洲及歐洲若干合資格機構投資者。就建議債券發行事項，本公司將向該等投資者提供有關本集團的若干近期企業及財務資料，部分資料可能從未公開。本公告隨附該等近期資料的節錄，將於向機構投資者發佈有關資料的大約相同時間於本公司網站(www.globalbiochem.com)可供查閱。

建議債券發行事項完成與否須視乎市況和投資者反應而定。債券擬由附屬公司擔保人作擔保。滙豐作為獨家安排行及獨家賬簿管理人負責經辦建議債券發行事項。於本公告日期，建議債券發行事項的本金額、息率以及條款和條件尚未釐定。債券的條款及條件一經落實，滙豐、本公司及附屬公司擔保人將訂立認購協議及其他附屬文件，據此，滙豐將促使認購人(否則自行)認購債券。本公司將於適當時候就建議債券發行事項另作公告。

建議債券發行事項只會：(1)遵照證券法S規例在美國境外提呈發售或出售給非美籍人士；(2)提呈發售或出售給「專業投資者」(定義見證券及期貨條例及其項下任何規則)，或在不會導致有關文件成為公司條例所界定的「招股章程」或不構成公司條例所指的向公眾人士提出要約的其他情況下提呈發售或出售)；及(3)提呈發售或出售給亞洲及歐洲若干合資格機構投資者。

建議債券發行事項的理由及所得款項建議用途

本集團主要從事生產及銷售玉米提煉產品及玉米為原料的生化產品及生物產品。

本公司擬將建議債券發行事項的所得款項淨額主要用作償還本集團的現有債務。

本公司或會因應市場環境及情況變化調整上述計劃，因而重新調配建議債券發行事項所得款項的用途。

上市

本公司原則上已獲批准債券在新交所上市。債券獲納入新交所正式牌價表及債券於新交所報價不應被視為本公司、其附屬公司或債券價值的指標。本公司並無尋求債券在香港上市。

一般事項

截至本公告日期，仍未就建議債券發行事項訂立任何具約束力的協議，故建議債券發行事項可能或未必落實。投資者及本公司股東在買賣本公司證券時，務須審慎行事。

釋義

於本公告內，除文義另有指明外，下列詞語具有以下涵義：

「董事會」	指	本公司董事會
「債券」	指	本公司將發行的人民幣債券
「人民幣」	指	中國法定貨幣人民幣
「公司條例」	指	香港法例第32章公司條例
「本公司」	指	大成生化科技集團有限公司，於開曼群島註冊成立的有限公司，其普通股於聯交所主板上市
「本集團」	指	本公司及其附屬公司
「大成糖業」	指	大成糖業控股有限公司，於開曼群島註冊成立的有限公司，並為本公司的非全資附屬公司，其普通股於聯交所主板上市
「香港」	指	中華人民共和國香港特別行政區
「滙豐」	指	香港上海滙豐銀行有限公司
「中國」	指	中華人民共和國，僅就本公告而言，不包括香港、澳門特別行政區及台灣
「建議債券發行事項」	指	本公司建議債券發行事項

「證券法」	指	美國一九三三年證券法(經修訂)
「證券及期貨條例」	指	香港法例第571章證券及期貨條例
「新交所」	指	新加坡證券交易所有限公司
「聯交所」	指	香港聯合交易所有限公司
「認購協議」	指	建議由(其中包括)本公司及滙豐就建議債券發行事項訂立的協議
「附屬公司擔保人」	指	本公司旗下就債券付款事宜提供擔保的附屬公司，惟根據中國法律成立的任何本公司附屬公司、大成糖業、Global Bio-chem Technology Americas Inc.及其各自的任何附屬公司除外
「美國」	指	美利堅合眾國

承董事會命
大成生化科技集團有限公司
公司秘書
張健寶

香港，二零一一年四月十八日

於本公告日期，董事會成員包括五名執行董事劉小明先生、徐周文先生、王桂鳳女士、張福勝先生及張澤鋒先生，以及三名獨立非執行董事陳文漢先生、李元剛先生及李德發先生。

Extract of corporate and financial information of
Global Bio-chem Technology Group Company Limited

Sections in the Offering Circular to be included:

1. Summary Financial Information

2. Risk Factors

3. Capitalisation and Indebtedness

4. Business

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Company as of and for the periods indicated. The summary consolidated financial information as at and for the years ended 31 December 2009 and 2010 presented below is derived from the Company's audited consolidated financial statements for the year ended 31 December 2010. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Company, including the notes thereto, included elsewhere in this Offering Circular.

The Company's consolidated financial statements are prepared and presented in accordance with GAAP.

Consolidated Income Statement

	For the year ended 31 December		
	2009	**2010**	**2010**
	HK$'000		**US$'000**
Revenue	7,838,301	9,314,898	1,201,922
Cost of Sales	(6,781,781)	(7,747,539)	(999,682)
Gross profit	**1,056,520**	**1,567,359**	**202,240**
Other income and gains	86,811	138,985	17,934
Selling and distribution costs	(434,978)	(550,733)	(71,062)
Administrative expenses	(264,951)	(269,927)	(34,829)
Other expenses	(74,241)	(24,378)	(3,146)
Finance costs	(307,169)	(378,546)	(48,845)
Share of profits of jointly controlled entities	3,312	1,196	154
Profit before tax	**65,304**	**483,956**	**62,446**
Income tax expense	(51,349)	(110,296)	(14,232)
Profit for the year	**13,955**	**373,660**	**48,214**

Consolidated Statement of Financial Position

	As at 31 December		
	2009	2010	2010
	HK$'000		US$'000
Non-current assets			
Property, plant and equipment	9,110,180	9,678,118	1,248,789
Prepaid land lease payments	537,555	650,284	83,908
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments	339,416	369,345	47,658
Goodwill	348,428	348,428	44,958
Intangible assets	—	27,684	3,572
Deferred tax assets	16,516	17,513	2,260
Breeding biological assets	7,949	7,535	972
Interests in jointly controlled entities	94,465	97,372	12,564
Total non-current assets	**10,454,509**	**11,196,279**	**1,444,681**
Current assets			
Inventories	2,599,342	4,185,172	540,022
Trade and bills receivables	1,582,107	1,920,988	247,870
Prepayments, deposits and other receivables	745,876	790,240	101,966
Trading biological assets	1,219	1,947	251
Due from jointly controlled entities	704	3,335	430
Tax recoverable	8,429	2,469	319
Pledged deposits	23,596	55,172	7,119
Cash and cash equivalents	1,594,315	1,679,496	216,709
Total current assets	**6,555,588**	**8,638,819**	**1,114,686**
Current Liabilities			
Trade and bills payables	817,439	758,320	97,848
Other payables and accruals	1,113,574	760,911	98,182
Interest-bearing bank borrowings	4,567,467	4,153,113	535,886
Due to a director	89,368	—	—
Due to jointly controlled entities	101	17,299	2,232
Tax payable	54,219	84,296	10,876
Total current liabilities	**6,642,168**	**5,773,939**	**745,024**
Net current (liabilities)/assets	**(86,580)**	**2,864,880**	**369,662**
Total assets less current liabilities	**10,367,929**	**14,061,159**	**1,814,343**
Non-current liabilities			
Interest-bearing bank and other borrowings	2,172,966	4,224,425	545,087
Deferred tax liabilities	122,112	127,316	16,428
Deferred income	34,188	36,543	4,715
Total non-current liabilities	**2,329,266**	**4,388,284**	**566,230**
Net assets	**8,038,663**	**9,672,875**	**1,248,113**
Equity attributable to owners by the Company			
Issued capital	231,885	324,639	41,889
Reserves	7,249,993	8,341,021	1,076,261
Proposed final dividend	—	32,464	4,189
	7,481,878	8,698,124	1,122,339
Non-controlling interests	556,785	974,751	125,774
Total Equity	**8,038,663**	**9,672,875**	**1,248,113**

RISK FACTORS

Before making an investment decision, investors should carefully consider all of the information set out in this Offering Circular, including the risk factors set forth below. Any of the risks described below could materially and adversely affect the Company's and the Subsidiary Guarantors' ability to satisfy their respective obligations, including the Bonds and the Guarantee, and have a material adverse effect on the Company's or the Group's business, operations and prospects. In that event, the price of the Bonds could decline, and investors could lose all or part of their investments in the Bonds. The risks and uncertainties described below are not the only risks and uncertainties the Company or the Group faces. Additional risks and uncertainties not presently known to the Company or the Group or that the Company or the Group currently deems immaterial may also adversely affect the Company's or the Group's business operations. The risks discussed below also include forward-looking statements and the Company's or the Group's actual results may differ substantially from those discussed in these forward-looking statements. Subheadings are for convenience only and risk factors that appear under a particular subheading may also apply to one or more other subheadings.

Risks Relating to the Group's Business and Industry

The Group's business is highly dependent on the supply and prices of corn kernel, energy and water, which are subject to significant volatility and uncertainty.

The principal raw material that the Group uses to produce its corn-based products is corn kernel. As a result, changes in the price of corn kernel can significantly affect its business. In general, rising corn kernel prices produce lower profit margins. Corn kernel costs accounted for 60% and 62%, respectively, of the Group's total cost of sales for the years ended 31 December 2009 and 2010. In recent years, the price of corn has increased internationally. Over the 10-year period from 2000 to 2010, corn prices have ranged from a low of US$174.75 per bushel on 11 August 2000 to a high of US$754.75 per bushel on 27 June 2008, with prices averaging US$300.33 per bushel during this period. As at 13 April 2011, the price per bushel of corn was US$755.5. There can be no assurance that the Group will be able to pass along increased corn kernel costs to its customers.

The Group sources all of its supply of corn kernel from producers within the PRC. The price of corn in the PRC is also influenced by weather conditions, the presence of natural disasters and disease and other factors affecting crop yields and harvests, farmer planting decisions and general economic, market and regulatory factors. These factors include government policies and subsidies with respect to agriculture and international trade, and global and local demand and supply. The significance and relative effect of these factors on the price of corn is difficult to predict. Any event that tends to negatively affect the supply of corn, such as adverse weather, natural disasters or crop disease, or increase demand for corn, could increase corn prices and potentially harm the Group's business. In addition, the Group may also have difficulty, from time to time, in sourcing corn on economical terms due to supply shortages. Such a shortage could require it to suspend operations until corn is available at economical terms, which would have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the Group does not engage in any hedging arrangements against fluctuations in the price of corn.

Changes in the price and supply of energy can also significantly affect the Group's business. Energy costs in each of 2009 and 2010 constituted approximately 16% of its total cost of sales. The Group uses energy to generate steam in its production process. The Group consumes coal and electricity to generate energy. The market prices for these commodities vary depending on supply and demand and other factors. There can be no assurance that the Group will be able to purchase these commodities at prices that it can adequately pass on to customers to sustain or increase profitability.

Further, the Group requires a large amount of water for the manufacturing of corn starch, modified starch and other of its corn-based products. If the Group's supply of water ceases or is suspended, or the water used by it is contaminated or otherwise becomes unsuitable or unavailable for use due to events beyond its control and the Group is unable to secure alternative sources of water supplies that meet its requirements, or if the cost of water supplies increases and it is unable to pass on the increase in cost to its customers, the Group's business, results of operations and financial condition will be materially and adversely affected.

The price and demand of the Group's corn-based downstream products are affected by the relative prices of other commodities, especially petroleum and sugar.

Fluctuations in the price of oil can affect the demand and price of certain of the Group's corn-based products, such as sweeteners and ethylene glycol and propylene glycol, its primary polyol chemical products. Sugar prices tend to move with oil prices because as the price of oil rises above certain levels, the production of ethanol from sugar, as an alternative fuel, generally increases, leading to increases in the demand for and price of sugar. In turn, increases in the price of sugar tend to cause increases in the demand for and price of the Group's corn-based sweetener products which compete with sugar based sweetener products. Similarly, increases in the price of oil tend to increase the demand for, and price of, the Group's corn-based ethylene glycol and propylene glycol which compete with the same products derived from petroleum. Recently, oil prices have risen to historically high levels, which have also caused prices of sugar to rise. These factors have increased the demand for and price of corn and of the Group's corn-based sweetener products and its polyol chemical products. However, there can be no assurance that the price of oil will remain at current levels. If the price of oil were to fall significantly, this would likely have an adverse effect on the demand for, revenues from and gross margins of the Group's polyol chemical products, and would also likely have an adverse effect on the price of sugar, which would in turn have an adverse effect on the demand, price and margins of its corn-based sweetener products.

The prices of the Group's corn-based products are subject to cyclical fluctuations.

The prices of the Group's products are affected by a number of factors, including changes in:

- world production levels of corn refined products and corn-based downstream products, and those of alternative products such as sugar and petroleum based products;
- world consumption levels of corn refined products and corn-based downstream products, and those of alternative products such as sugar and petroleum based products;
- the geographic locations of corn supplies, corn kernel prices, and domestic and international shipping costs;
- PRC governmental policies and rules and regulations relating to corn and corn-based upstream and downstream products, including those relating to ethanol;
- general economic and market conditions; and
- import and export duties and foreign exchange rates.

A significant reduction in the prices for the Group's products would have a material adverse effect on its business, results of operations, financial condition and cash flows.

The Group is subject to competition from products using different raw materials and production technologies.

Many of the Group's products compete with products made from raw materials other than corn. For example, starch products may also be produced using potato and tapioca as raw materials. In addition, refined corn oil, which is produced from crude corn oil (one of the Group's upstream by-products), faces competition from other edible oils, such as soybean oil, rapeseed oil, sunflower oil, peanut oil, coconut oil and others. Sweeteners may also be produced from cane sugar and sugar beet. Amino acids may also be produced from sugar cane, sugar beet or cassava. Ethylene glycol and propylene glycol may be produced from petroleum. Fluctuations in prices of these competing products may affect prices of, and profits derived from, the Group's products.

In addition, the development and implementation of new technologies may result in a significant reduction in costs, significant improvements in efficiency or a significant increase in production volumes for such alternative products. Similarly, alternative products may be developed which may render the Group's products obsolete or uncompetitive. The Group cannot predict when new technologies may become available, the rate of acceptance of new technologies by its competitors or the costs or benefits associated with new technologies. Any advances in technology which require significant capital expenditures to remain competitive or which reduce demand or prices for the Group's products would have a material adverse effect on its business, results of operations and financial condition.

The corn-based products industry is highly competitive.

The corn-based products industry is highly competitive and comprises domestic, foreign and foreign-invested enterprises. The Group's key competitors are international corn-based product manufacturers with vertically-integrated operations of a similar size and scale to the Group. In this regard, several foreign corn-based product manufacturers have established production plants in the PRC, including Ajinomoto Co., Inc. and Cargill, in addition to CJ Corporation and Degussa, which do not have domestic production plants but export their products into the PRC. The Group's competitors, especially foreign competitors, may have greater access to financial resources, more experience in resource allocation, better ability in product innovation and longer operating histories. As a result, they may be able to devote greater resources to the research and development, promotion and sale of their products and respond more quickly to changes in market conditions than the Group can. The Group's failure to adapt to changing market conditions and to compete successfully with existing or future competitors may have a material adverse effect on its business, prospects and results of operations.

The Group's current or potential competitors may adapt more quickly than it does to evolving industry trends or changing market requirements. It is also possible that there will be significant consolidation in the corn products industry among the Group's competitors, alliances may develop among competitors and these alliances may rapidly acquire significant market share. Also, some of the Group's customers may commence production of products similar to those the Group currently sells to them, or become more vertically-integrated. This could erode the Group's competitive advantage in the PRC. It may also face competition from new entrants to the corn-based products industry, including those that have more advanced technology. For example, a competitor could significantly increase fermentation efficiency by developing a bacteria or bacteria process that improves yields in the fermentation process. The Group's position in the market and its results of operations may be adversely affected if it fails to keep up with technological developments or fail to adopt new technologies in its manufacturing operations. Increased competition may result in revenue declines and cost increases. The Group cannot guarantee that it will be able to compete effectively against current and future competitors.

Margins on sales of the Group's corn refined products and corn-based downstream products may be adversely affected by the decline in prices of these products, and revenues may not be sufficient to cover fixed and variable costs.

Prices for the Group's products are dependent upon demand and supply conditions, general economic conditions and other factors which may vary from time to time. If revenues are not sufficient to cover fixed and variable costs, including costs that the Group may not be able to control, such as the cost of raw materials, energy, freight and others, margins for the Group's products may be adversely affected. Moreover, because of the relatively high proportion of fixed costs, a reduction in sales volumes can significantly increase unit costs. Any significant reduction in sales volumes could also adversely affect margins for the Group's products. If the Group is unable to control its operating costs and maintain the productivity and reliability of its production plants, as well as the yields in its manufacturing processes, the Group's profitability and growth could be materially and adversely affected.

Changes in consumer preferences and perceptions may reduce the demand for the Group's products, which could reduce its sales and profitability and harm its business.

Food products are often affected by changes in consumer tastes, national, regional and local economic conditions and demographic trends. For example, changes in prevailing health or dietary preferences causing consumers to avoid food products containing sweetener products such as carbonated beverages, ice cream and canned fruits and switch to foods that are perceived as being more healthy, could reduce the Group's sales and profitability, and such a reduction could be material. Further, changes in consumer preferences and dietary habits could result in lower consumption of meat products, which could in turn affect the livestock industry which is the main consumer for the Group's amino acids, thereby reducing its sales and profitability. These changes could occur for a variety of reasons, including as a result of food safety issues, such as those relating to "mad cow" disease, swine fever or avian flu. Any future outbreak of livestock or other animal-related disease in the PRC or elsewhere may result in adverse publicity and a loss of consumer confidence in the meat industry, reduce demand for the Group's animal feed products, or negatively impact the results of operations and financial condition of its business. In addition, efforts to cull livestock in the event of any outbreak of livestock disease in the PRC would adversely affect demand for the Group's amino acid products.

The Group's business and operations may be affected by natural disasters.

The Group's business may be interrupted or otherwise affected by natural disasters, including, without limitation, droughts, floods, fire, corn diseases, plague of locusts and earthquakes that could cause material shortage in the supply of corn kernel, which is the key raw material for the production of the Group's products, or damage to its production facilities. In particular, the occurrence of prolonged frost or droughts in the Northern and Northeastern regions of the PRC where the Group procures most of its corn kernel would have an adverse impact on its operations. Also, a decrease in corn supplies as a result of such natural disasters may drive up prices of corn which the Group may not be able to pass on to its customers. The occurrence of natural disasters that interrupt or affect the Group's business would materially and adversely affect its operations and its operating results.

The Group's relies on a few large customers for a significant percentage of its revenues.

For the years ended 31 December 2009 and 2010, revenues from the Group's five largest customers accounted for an aggregate of 18% and 13% of its total revenues, respectively. As a result, the Group expects that, for the foreseeable future, sales to a limited number of customers will continue to account, alone or in the aggregate, for a significant percentage of the Group's total revenues. The Group has maintained relatively long-term business relationships with its major customers. However, the Group has not entered into any long-term sales agreements with its major customers. Should any of these major customers cease to purchase from the Group, or reduce their order size for its products, the Group's financial condition and results of operations may be adversely affected.

Disruptions in the Group's production lines or facilities may adversely affect its business.

The Group's production lines and facilities are all located in the PRC. The Group's production facilities operated 24 hours a day with three shifts and it has not experienced any material disruption to the operations of its production facilities during the two years ended 31 December 2010. However, there is no assurance that there will be no disruption to the operations of the Group's production lines in the future. If operations at any of these facilities were to be materially disrupted as a result of equipment failure, natural disasters, work stoppages, power outages, explosions or adverse weather conditions, the Group's financial condition and results of operations could be adversely affected. The occurrence of any of these significant events could require the Group to make significant unanticipated capital expenditure. Interruptions in production could increase the Group's costs and delay its delivery of products. Production capacity limits caused by such disruptions could cause a reduction or delay in sales efforts. Lost sales or increased costs that the Group may experience such disruption of operations may not be recoverable under its existing insurance policies, and longer-term business disruptions could result in a loss of customers and could also damage the Group's reputation. If this were to occur, the Group future revenues and profits could be adversely affected.

The Group is dependent upon its executive directors for management and direction, and the loss of any of these persons could adversely affect its operations and results.

The Group is dependent upon its executive directors for implementation of its growth strategies and execution of its business plans. The loss of any of the Group's executive directors could have a material adverse effect upon its results of operations and financial condition. Although the Group has employment agreements with each of its executive directors, these agreements may be terminated on three months' notice. The loss of any of the Group's executive directors could delay or prevent the achievement of its business plans.

If the Group is unable to attract, train and retain technical personnel, the Group's business may be materially and adversely affected.

The Group's future success also depends, to a significant extent, on its ability to attract, train and retain technical personnel. Recruiting and retaining capable personnel, particularly those with expertise in the corn refinery and bio-chemical industries, are vital to its success. There is substantial competition for recruitment of qualified technical personnel, which can result in higher labour costs and more frequent movement of such personnel within the Group's industry. There can be no assurance that the Group will be able to attract new technical personnel or retain its own technical personnel. If the Group is unable to attract and retain qualified technical personnel, its business may be materially and adversely affected.

The Group's inability to obtain, preserve and defend intellectual property rights could harm its competitive position. The Group is the subject of a petition by a competitor alleging violation of certain patents in the Netherlands and, in 2007, a Netherlands court handed down a judgment that the Group had infringed certain patents of its competitors which decision has been upheld by the Hague Appeal Court recently. The Group could be subject to similar claims in other European countries where those patents are valid.

The Group's ability to compete successfully also depends in part on its ability to operate without infringing the proprietary rights of others. As is the case with other companies in the corn-based products industry, the Group has from time to time received notices alleging infringement of intellectual property rights of others and breach of warranties. In this regard, the Group is involved in litigations in Europe and the PRC.

On 16 May 2006, Ajinomoto Eurolysine S.A.S. and Ajinomoto Co., Inc. (collectively, "**Ajinomoto Europe**") initiated patent litigation against the Group alleging infringements by it of three patents held by Ajinomoto Europe. These patents also relate to the claimed use of patented genetic constructs and methods of using those constructs for producing lysine. Ajinomoto Europe alleged that the Group had infringed three patents by virtue of the offer for sale, import, and trading of lysine products in the Netherlands. On 22 August 2007, the Hague District Court issued its judgment and held that the Group had infringed two of Ajinomoto Europe's patents in the Netherlands and ordered it to, among other things, cease and desist from further infringement of these patent rights, and surrender net profits made, and awarded Ajinomoto Europe damages. On 29 March 2011, the Hague Appeal Court upheld the decision of the Hague District Court pending a further interlocutory hearing on legal costs to be held on 13 May 2011. While the Group considers that it has grounds to appeal against the decision of the Hague Appeal Court, and is seeking legal advice on the feasibility of filing an appeal against the decision, there is no assurance that the Group will proceed with an appeal, or the outcome of such appeal will be in favour of the Group. The proceedings with regard to the third patent were stayed pending opposition proceedings before the European Patent Office. If the European Patent Office rules against the Group, the proceeding with regard to this third patent will resume in the Hague District Court. There is no assurance that the Group will be able to prevail.

As the Group had ceased to use the relevant bacteria strains and processed which were alleged to be infringing activities, it believes that its potential liability in these litigations is, notwithstanding the judgment in the Netherlands, limited. However, the amount of profit required to be surrendered and damage payable has not been determined. Moreover, there is a chance that the Group may be ordered to pay the full costs of the proceedings, including but not limited to expert and attorney fees. The Group has not made any provision in its consolidated financial statements with respect to the litigations in Europe and the PRC.

With respect to these and other matters, in the event that any third party were to make a valid claim against the Group or, in certain circumstances, its customers, the Group could be required to:

- seek to acquire licences to the infringed technology which may not be available on commercially reasonable terms, if at all;
- discontinue using certain production technologies, which could cause the Group to stop manufacturing certain corn-based products, or manufacture these products using less efficient or advanced production technologies;
- pay substantial damages or cease the sale or export of products produced using the infringed technology; or
- seek to develop non-infringing technologies, which may not be feasible.

Any one of these developments could place substantial financial and administrative burdens on the Group and hinder its business in a material manner. The Group's current litigation, and future litigation, could result in substantial costs to it and diversion of the Group's resources. Litigation could also become necessary to enforce the Group's patents or other intellectual property rights or to defend the Group against claimed infringement of the rights of others. If the Group fails to obtain necessary licences or if further litigation relating to patent infringement or other intellectual property matters occurs, it could prevent the Group from manufacturing particular products or using certain production technologies, which could reduce opportunities to generate revenues, increase its costs from using other processes, cause production interruptions and have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's ability to compete successfully and achieve future growth will depend, in part, on its ability to protect the Group's proprietary technology and to secure critical production technology that the Group does not own at commercially reasonable terms. The Group can give investors no assurance that in the future it will be able to independently develop, or secure and protect from infringement by any third party, the technology required for the Group's operations. The Group's failure to obtain and adequately maintain and protect sufficient technology to remain competitive may seriously harm its competitive position and have a material adverse effect on the Group's results of operations and financial condition.

The Group's business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to the Group's products.

Certain of the Group's products, such as amino acids, corn sweeteners and polyol chemical products, involve an inherent risk of injury which may result from tampering by unauthorised third parties, product contamination or degeneration, including the presence of foreign contaminants, chemicals, substances or other agents or residues during the various stages of the procurement and production and transportation processes. The Group cannot guarantee that its products will not cause any health-related illnesses or injury in the future, or that it will not be subject to claims or lawsuits relating to such matters, which could result in fines, penalties and substantial damages awards. Furthermore, management time and substantial expenses may be incurred in defending any claims that may arise.

The Group may be required by relevant government authorities to recall its products if they materially fail to meet relevant quality or safety standards. The Group cannot guarantee that product liability claims will not be asserted against it as a result. A product liability claim against the Group or a product recall would likely damage its reputation and goodwill, and could have a material adverse effect on the Group's business, results of operations and financial condition.

Operation of production plants involves many risks and interruption in the operations of the Group's plants may affect the result of its operations.

The operation of production plants involves many risks and hazards, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labour disturbances, environmental hazards and industrial accidents at the production plants. These risks and hazards could result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to the Group's business reputation and corporate image and, in severe cases, fatalities. The occurrence of material operational problems, including but not limited to the above events, may materially and adversely affect the operation of the Group's production plants and the profitability of its operations.

The Group's manufacturing processes are highly complex, costly and potentially vulnerable to impurities and other disruptions that can significantly increase its costs and delay product shipment to its customers.

The Group's manufacturing processes are highly complex, require advanced and costly equipment and are continuously being modified to improve manufacturing yields. Impurities or other difficulties in the manufacturing process or defects with respect to equipment or supporting facilities can lower manufacturing yields, interrupt production or result in losses of products in the production process. Although the Group has been enhancing its manufacturing capabilities and efficiency, from time to time, it may experience production difficulties that could cause delivery delays and quality control problems. The Group may encounter the following problems:

- capacity constraints due to changes in product mix or the delayed delivery of equipment or raw materials critical to the Group's production;
- construction delays during expansion of the Group's production facilities;
- difficulties in increasing production at new and existing production facilities;
- difficulties or delays in changing or upgrading the Group's process technologies; and
- impurities in the Group's production process.

These and other manufacturing difficulties, or an inability to continue to increase the Group's capacity utilisation rates and efficiency, could have a material adverse effect on its business, results of operations and financial condition.

The Group may not have enough insurance to cover potential operational risks.

The Group maintains insurance policies within ranges of coverage that it believes to be consistent with industry practice in the PRC. However, these insurance policies are subject to certain exclusions from coverage and contain deductibles and limits on the amount of coverage. The Group may experience major accidents or natural disasters in the course of its operations which may cause significant property damage and personal injuries. The occurrence of such accidents or disasters, and the consequences arising from them, may not be covered adequately, or at all, by the insurance policies the Group carries. In accordance with customary practice in the PRC, the Group does not carry any business interruption insurance or third party liability insurance for personal injury or environmental damage arising from accidents on its property or relating to its operations or insurance for products liability. Losses incurred or payments the Group may be required to make may have a material adverse effect on the Group's results of operations if such losses or payments are not fully insured.

In addition, the Group can give no assurance that it will be able to renew its insurance coverage on reasonable terms or at all. Renewals of the Group's insurance policies may not be available, or if available, may expose the Group to additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability.

The Group's business is capital intensive and the Group may require access to external financing to operate and expand its business.

The Group requires significant amounts of capital to operate its business and fund capital expenditures. The Group's future funding requirements will depend, in large part, on its working capital requirements and the nature of its capital expenditures. The Group is required to make substantial capital expenditures to maintain its production plants, refineries and transportation assets and other facilities. In addition, the Group's planned expansion and development projects may also require it to have access to significant amounts of capital. See "Business — Development and Expansion Projects." The Group may require third party financing for these capital expenditures. The Group's ability to arrange financing and the cost of such financing depends on various factors that are beyond its control, including general economic and capital market conditions, credit availability from banks or other lenders, investor confidence in the Group, the levels of interest rates and the continued success of its operations. There can be no assurance that the Group will be able to obtain financing on terms acceptable to it or at all. Even if the Group is able to arrange financing, lenders may require it to agree to restrictive covenants which may restrict its ability to grow and operate its business. In addition, the actual capital expenditures for the Group's capital investment projects may significantly exceed its budgets because of various factors beyond its control. In such event, capital requirements may increase and the Group's business, results of operations and financial condition may be materially and adversely affected.

The Group may be adversely affected by laws and regulations on environmental protection and safety.

The Group is subject to various PRC national and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground. These laws and regulations require enterprises engaged in manufacturing and construction that may produce environmental wastes to adopt effective measures to control and properly dispose of gaseous wastes, wastewater and other waste materials, and require producers discharging waste substances to pay fees for discharges above permitted levels. These laws, regulations and permits can also require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. If the Group fails to comply with present or future environmental laws and regulations, it could be subject to fines, suspension of production, termination of the Group's business licences or a cessation of operations. In addition, the PRC government has raised its monitoring standards and PRC environmental laws have become more stringent. Stricter environmental laws may be introduced in the future. The Group has made, and expects to make, significant capital expenditures on an ongoing basis to comply with the increasingly stringent environmental laws, regulations and permits in the PRC. Under PRC laws and regulations currently in effect, the Group's subsidiaries in the PRC engaged in production activities were required to apply for and obtain approval for an environmental impact assessment report prior to the construction of manufacturing facilities, environmental verifications prior to commencement of production activities and permits for pollutant discharge. There can be no assurance that the authorities will not in the future issue a warning requiring these subsidiaries to submit an application and obtain approval for such environmental impact assessment reports, environmental verifications or discharge permits within a specified time limit, or impose a fine if they fail to submit such application within the same limit, or suspend production activities if they ultimately fail to meet the requirements of the authorities. Nonetheless, the Group believes that its operations are, in substance, in compliance with the general standards of PRC laws and regulations relating to environmental protection. There can be no assurance that it will be able to comply with all environmental laws in the future, or that government inspections will not result in the imposition of fines, penalties or even plant closures. Any of the foregoing and any increased expenditures as a result of new environmental laws or stricter monitoring may have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the Group is subject to various laws and regulations concerning safety, including those relating to construction, the use of special equipment, and the training and protection of workers. Furthermore, the Group is subject to safety examinations from time to time by the authorities. Failure to comply with such laws and regulations may result in fines, suspension of production or a cessation of operations. Any increased expenses as a result of new safety laws may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group requires various licences and permits to operate its business, and loss of or failure to renew any of these licences and permits could materially adversely affect its business.

In accordance with PRC laws and regulations, the Group is required to maintain various licences and permits to operate its business, including without limitation, hygiene permits and production permits. The Group is required to comply with applicable hygiene and food safety standards in relation to the Group's production processes and the relevant regulatory authorities carry out regular and irregular inspections to ascertain its compliance with applicable regulations. However, as at the date of this Offering Circular, some of the Group's PRC subsidiaries have not obtained certain licences or permits required or passed the annual inspection. Failure to obtain these licences or permits, or pass these inspections, or loss of or failure to renew its licences and permits, could require the Group to temporarily or permanently suspend some or all of its production activities which could disrupt its operations and make the Group unable to meet its contractual obligations. This may adversely affect the Group's business, results of operations and financial condition.

In addition, the eligibility criteria for the Group's licences and permits may change from time to time, additional licences and permits may be required and the Group may have to observe higher compliance standards. Any of these events may result in higher compliance costs or requirements that are difficult for the Group to meet which may materially and adversely affect the Group's business, results of operations and financial condition.

The Group has not obtained certain approvals relating to the construction of several of its projects.

Under PRC laws, foreign invested projects must be approved by the National Development & Reform Committee or its competent local branches (collectively "**NDRC**") or its predecessors, namely the State Planning Commission and the State Planning and Development Commission (collectively with NDRC, the "**Project Approving Authorities**") before the commencement of construction. Some of the Group's projects have not obtained such approvals from the Project Approving Authorities. According to relevant PRC regulations, the land, urban planning, quality supervision, regulation of safe production, industry and commerce, customs, tax, foreign exchange control departments, etc. shall not process with the relevant procedures for foreign-invested projects that have not been verified. Notwithstanding the regulations, each of the Group's subsidiaries has completed its respective registration with industry and commerce authorities, tax authorities and foreign exchange authorities. However, there is no assurance that the Group's subsidiaries will not be adversely affected due to not having been verified by Project Approving Authorities when they increase capital or expand business operations. As a result, the Group's business, financial condition and results of operations may be adversely affected.

The Group cannot guarantee that it will be successful in developing or launching new products.

The Group's primary business experience is in the PRC and in existing product lines. The Group cannot guarantee that any new products it launches in the future will receive market acceptance, be commercially successful or generate the revenues that the Group expects. In addition, although the Group places strong emphasis on research and development, to develop additional products and more efficient plant design and production technologies, there can be no assurance that the Group's research and development efforts will yield commercially viable products. Even if the Group is successful in developing a new product or new or more efficient plant design or production technology, a significant amount of time may elapse between the Group's investment and any related revenues derived from the product or production technology, and such newly developed products may not result in sufficient sales to enable the Group to recover its costs of research and development or produce such products profitably.

The Group's research and development efforts may be unsuccessful.

The Group believes its ability to develop new products in response to the changing market demands differentiates the Group from many of its competitors and is essential to the future development of its business, and the Group is committed to continually strengthen its research and development capability. The Group has a strong research and development team, and it has made continuous efforts to upgrade its technological know-how, improve its production processes and expand its portfolio with new products. However, research and development activities require considerable amounts of human resources and capital investments. In the event that the Group's research and development efforts fail to achieve the goals as planned, its financial condition and results of operations may be adversely affected.

The Group faces risks associated with the marketing, distribution and sale of its products internationally. If it is unable to effectively manage these risks, they could impair the Group's ability to expand its business overseas.

Although the Group's primary market is the PRC, it has steadily increased the Group's sales since 2004 in countries outside the PRC. In 2009 and 2010, its sales outside the PRC represented 16% and 23% of the Group's total revenues, respectively. The Group intends to continue to increase its sales to countries outside the PRC, especially to elsewhere in the Asia Pacific region and Russia. As the Group expands its manufacturing capacity, it will continue to develop additional customer relationships in these and other geographic regions. These are relatively new markets for the Group and it cannot guarantee that its development of these markets will be successful. In addition, the Group's expansion and entry into overseas markets may cause it to incur higher costs in administration, distribution and marketing, including the cost to increase awareness of the Group's brand name overseas. The Group cannot guarantee that it will generate any return in relation to its expansion overseas and it may incur losses. In addition, the marketing, distribution and sale of the Group's products in the international markets expose the Group's to a number of risks, including:

- fluctuations in the currency exchange rates of the Renminbi, US dollar, Euro and Japanese Yen;
- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which the Group offers its products;

- cultural, language and logistical barriers to working with customers in different countries; and

- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of the Group's products and make it less competitive in some countries.

The Group is exposed to risks associated with its distribution channels and the loss of agent or trader relationships.

The Group's products, including upstream and downstream products, are sold directly to the Group's major customers who use its products as raw materials in their manufacturing processes, as well as distributors and sub-distributors, who in turn sell the Group's products to their customers. The Group has not entered into any long-term contracts with its major customers. Any significant changes to its major customers' operating conditions, preferences for the Group's products and settlement terms for sales may have a material impact on its business, results of operations and financial condition.

The Group's sales to distributors and sub-distributors could decline if there is any deterioration in the sales of the Group's distributors or sub-distributors to their respective customers. Furthermore, most of these distributors and sub-distributors are not exclusive to the Group and therefore may sell products that compete with its products. There is a risk that the Group's distributors and sub-distributors may give higher priority to products of, or form alliances with, the Group's competitors. If the Group's distributors do not continue to distribute its products, or provide its products with a similar level of promotional support as that provided for the Group's competitors' products, its sales performance may not improve as the Group expects or could even decline and the Group's business, results of operations and financial condition could be materially and adversely affected.

The Group may be required to undergo a pre-qualification process with respect to customers of new products, which could be time consuming and require the Group to make additional capital expenditures.

Some of the Group's customers may require the Group to pre-qualify its products with them before they become the Group's customers. This pre-qualification process can be long and difficult and involve significant management time and expense. The Group may be required to make additional capital expenditures and other expenses in satisfying the Group's customers' requirements for the pre-qualification process and there is no assurance that the Group will pass the pre-qualification process, in which case the Group's growth and revenues may be adversely affected, which could have a material adverse effect on its business, results of operations and financial condition.

The Group has not obtained title certificates to some of the properties it occupies.

The Group has not yet obtained title certificates that allow it to freely transfer, mortgage or dispose of some of the Group's properties under PRC laws and regulations. As at the date of this Offering Circular, the Company has not obtained building ownership certificates under PRC laws and regulations in relation to 85,000 square metres of its total gross floor area of 754,000 square metres. The Group currently uses these properties for production and general commercial purposes. Penalties may be imposed on the Group for occupying some of such properties. Furthermore, as a result of these title problems, the Group may need to relocate its production and business operations, which may cause interruptions to the Group's business and expenses. As a result, the Group's financial condition may be adversely affected. See "Business — Properties."

Risks Relating to Doing Business in the PRC

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could reduce the demand for the Group's products and materially and adversely affect the Group's competitive position.

The Group's business is based in the PRC and, as at 31 December 2010, 77% of the Group's sales were made in the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including:

- the level of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange; and
- the allocation of resources.

While the PRC economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may have a negative effect on the Group. For example, the Group's financial condition and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to the Group.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in the PRC is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect the Group's business. The PRC government also exercises significant control over the PRC's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on its business, prospects, cash flows, financial condition and results of operations.

A slowdown of the PRC economy may have a material and adverse effect on the Group's results of operations and financial condition.

As at 31 December 2010, 77% of the Group's revenue was derived from sales in the PRC. The Group relies on domestic demand for corn-based products to achieve growth in its revenue. Domestic demand for electric power is materially affected by industrial development, growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. Although there are signs of recovery in the global and PRC economies, there is no assurance that any such recovery is sustainable. In addition, if the crisis in global financial services and credit markets was to persist, there is no certainty as to its impact on the global economy, especially the PRC economy. As a result of global economic cycles, there is no assurance that the PRC economy will grow in a sustained or steady manner. Any slowdown or recession of the PRC economy may have a material and adverse effect on the Group's business, prospects, cash flows, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on the Group.

The Company is incorporated in the Cayman Islands and is subject to laws and regulations applicable to foreign investment in the PRC and, in particular, laws applicable to wholly foreign owned companies. The PRC legal system is based on written statutes. Prior court decisions have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, since many of these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretation of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group. For example, the Group may have to resort to administrative and court proceedings to enforce the legal protection that it enjoys either by law or contract. However, since PRC administrative authorities and courts have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult than in more developed legal systems to evaluate the outcome of administrative and court proceedings and the level of legal protection the Group is afforded. These uncertainties may impede the Group's ability to enforce the contracts it has entered into with its business partners, customers and suppliers. In addition, such uncertainties, including the inability to enforce its contracts, could materially adversely affect the Group's business, prospects, cash flows, financial condition and results of operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. The Group cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of national laws by local regulations. These uncertainties could limit the legal protections available to the Group and other foreign investors, including investors in the Bonds. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

Under the Enterprise Income Tax Law, the Company may be classified as a "PRC resident enterprise". Such classification could result in unfavourable tax consequences to the Company and holders of the Bonds who are non-PRC residents.

Under the Enterprise Income Tax Law ("**EIT Law**"), an enterprise established outside China with a "*de facto* management body" within China is considered a "PRC resident enterprise", meaning that it can be treated as a PRC enterprise for enterprise income tax purposes and subject to PRC enterprise income tax on its global income. The implementing rules of the EIT Law define "*de facto* management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 sets out certain criteria for what constitutes a "*de facto* management body" in respect of foreign enterprises that are established and controlled by a PRC company or a PRC company group. However, no such criteria are provided in the circular or other public document in respect of foreign enterprises, such as the Company, that are established by private individuals or other foreign enterprises.

The Company is currently not treated as a PRC resident enterprise by the relevant tax authorities. However, since substantially all of the Company's management is currently based in China, there can be no assurance that the Company will not be deemed a PRC resident enterprise under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on its global income in the future. The imposition of PRC enterprise income tax on the Company's global income could have a material adverse effect on the Company's results of operations and financial condition, including its ability to pay principal and interest on the Bonds.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10% is normally applicable to PRC-sourced income of non-PRC resident enterprises, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise that pays interest is domiciled in China. If the Company is deemed a PRC-resident enterprise for EIT Law purposes, interest paid to holders of the Bonds who are non-PRC residents may be considered as income derived from the PRC and, as a result, would be subject to 10% withholding tax, unless otherwise reduced or exempted by applicable treaty. Similarly, any gain realised on the transfer of the Bonds by such holders of the Bonds may also be subject to PRC income tax if such gain is regarded as income derived from sources within the PRC.

The enforcement of new labour contract law and increase in labour costs in the PRC may adversely affect the Group's business and the Group's profitability.

A new Labour Contract Law came into effect on 1 January 2008 and the Implementation Rules of Labour Contract Law of the PRC were promulgated and became effective on 18 September 2008. The new Labour Contract Law and the Implementation Rules impose more stringent requirements on employers with regard to entering into written employment contracts, hiring temporary employees and dismissing employees. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees, which came into effect on 1 January 2008, and its Implementation Measures, which were promulgated and became effective on 18 September 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from five to 15 days, depending on length of service. Employees who waive such vacation time at the request of employers shall be compensated for three times their normal salaries for each waived vacation day. As a result of the new law and regulations, the Group's labour costs are expected to increase. In addition, certain companies operating in the PRC have experienced labour unrest conditions in 2010. There can be no assurance that these labour strikes will not affect general labour market conditions or result in changes to labour laws in the PRC, which in turn could adversely affect the Group's business and financial condition.

Increases in the Group's labour costs and future disputes with its employees could adversely affect the Group's business, financial condition and results of operations.

The Group's failure to make statutory social welfare payments to its employees could adversely and materially affect the Group's financial condition and results of operations.

According to the relevant PRC laws and regulations, the Group is required to pay certain statutory social security benefits for its employees, including medical care, injury insurance, unemployment insurance, maternity insurance, pension benefits and housing fund contributions. If the Group fails to comply with these requirements, it may be become subject to monetary penalties imposed by the relevant PRC authorities and proceedings initiated by its employees, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group faces risks relating to health epidemics and other outbreaks.

The Group's business could be adversely affected by the effects of influenza A (H1N1), avian flu, severe acute respiratory syndrome, or SARS, or other epidemic outbreak. In April 2009, an outbreak of influenza A caused by the H1N1 virus occurred in Mexico and the United States, and spread into a number of countries rapidly. There have also been reports of outbreaks of a highly pathogenic avian flu, caused by the H5N1 virus, in certain regions of Asia and Europe. In past few years, there were reports on the occurrences of avian flu in various parts of the PRC, including a few confirmed human cases. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries, would also have similar adverse effects. These outbreaks of contagious diseases and other adverse public health developments in the PRC would have a material adverse effect on the Group's business operations.

Risks Relating to Renminbi-denominated Bonds

There is limited availability of Renminbi outside of the PRC, which may affect the liquidity of the Bonds and the Company's ability to source Renminbi outside of the PRC to service the Bonds.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC Central Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to specified business customers. The People's Bank of the PRC, or PBoC, the central bank of China, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business, or the Settlement Agreement, between the PBoC and Bank of China (Hong Kong) Limited, or the RMB Clearing Bank, to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong. However, individual customers continue to be limited in their ability to convert Renminbi to the amount of RMB20,000 per person per day.

The current size of Renminbi-denominated financial assets outside the PRC is limited. As at 31 December 2010, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB314.9 billion. The RMB Clearing Bank only has direct access to onshore Renminbi through the PRC Foreign Exchange Trading System in Shanghai to square open positions of authorised financial institutions. Pursuant to refinements to the arrangement for conversions of Renminbi conducted by participating authorised financial institutions with their customers for Renminbi cross-border trade settlement transactions promulgated by the HKMA on 23 December 2010, participating authorised financial institutions should first utilise the Renminbi trade proceeds purchased from their customers to satisfy requests for Renminbi conversions for trade settlement transactions before purchasing Renminbi through the RMB Clearing Bank in the PRC Foreign Exchange Trading System. The HKMA will, as a standing arrangement, provide participating authorised financial institutions with Renminbi funds of RMB20 billion through its currency swap arrangement with the PBoC for cross-border Renminbi trade settlements. However, such institutions do not have direct Renminbi liquidity support from the PBoC. There is no assurance that existing measures put in place by the PRC government, or changes to those measures, will not adversely affect the amount of Renminbi available outside the PRC, or that such amounts will be sufficient to satisfy liquidity requirements.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or that the Settlement Agreement will not be terminated or amended in the future, which could further restrict the availability of Renminbi outside of the PRC. The limited availability of Renminbi outside of the PRC may affect the liquidity of the Bonds. To the extent the Group is required to source Renminbi in the offshore market to service the Bonds, there is no assurance that it will be able to source such Renminbi on satisfactory terms, if at all.

The investment in the Bonds is subject to exchange rate and interest rate risks.

The value of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates, and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Bonds will be made in Renminbi. As a result, the value of these Renminbi payments in Hong Kong dollar terms may vary with the prevailing exchange rates in the marketplace. For example, an investor purchasing the Bonds will be required to convert Hong Kong dollars (or other relevant currency) to Renminbi at the then-current exchange rate. If the value of the Renminbi depreciates against the Hong Kong dollar (or other relevant currency) between the date that a Bondholder purchases the Bonds and the maturity date of the Bonds, the value of the Bondholder's investment will decrease accordingly.

In addition, the PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberation may increase interest rate volatility. From April 2006 to December 2007, the PBoC raised the benchmark five-year lending rate seven times from 6.39% to 7.83%. Beginning in September 2008, the PBoC decreased the benchmark five-year lending rate five times from 7.83% to 5.94% in December 2008. As at 31 December 2010, the benchmark five-year lending rate was 6.40%. As at 9 February 2011, the five-year benchmark lending rate was 6.60%, and as at 6 April 2011, the five-year benchmark lending rate was 6.80%. The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with fluctuations in Renminbi interest rates. If a Bondholder attempts to sell the Bonds before the maturity date of the Bonds, he may not receive value equivalent to his original investment.

Payments for the Bonds will only be made to Bondholders in the manner specified in the Bonds.

All payments to Bondholders will be made: (i) with respect to Bonds represented by a global certificate, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures; or (ii) with respect to Bonds in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Group is not required to make payment by any other means, including in any other currency or by transfer to a bank account in the PRC.

Risks Relating to the Bonds

The Company's and each Subsidiary Guarantor's ability to make payments under the Bonds and the Guarantee is dependent upon the earnings of, and distributions by, the Company's operating subsidiaries.

The Company is primarily a holding company and substantially all the Company's business operations are conducted through its subsidiaries and joint ventures. The Company's ability to satisfy its obligations under the Bonds and the Guarantee is dependent upon the earnings of the Company's subsidiaries and joint ventures and their distribution of funds to the Company and the Subsidiary Guarantors, primarily in the form of dividends and the repayment of intercompany loans. The ability of these subsidiaries and joint ventures to make distributions to the Company and the Subsidiary Guarantors depends on distributable earnings, cash flow conditions, restrictions contained in the articles of association of these subsidiaries and joint ventures, restrictions contained in the debt instruments of these subsidiaries and joint ventures, applicable law or regulation. In addition, if any of the Company's subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Company and the Subsidiary Guarantors to make payments on the Bonds and the Guarantee. These restrictions could reduce the amount of distributions that the Company receives from its subsidiaries and joint ventures, which could restrict the Company's ability to fund its business operations and to satisfy its obligations under the Bonds and the Subsidiary Guarantors' obligations under the Guarantee. The Company's ability to utilise cash resources it has from its subsidiaries and joint ventures to finance the needs of other subsidiaries is subject to the same restrictions.

The Company is a holding company and payments with respect to the Bonds are structurally subordinated to liabilities, contingent liabilities and obligations of its subsidiaries.

The Company is a holding company with no material operations of its own. It derives substantially all of its operating income from, and holds substantially all of its assets through, its subsidiaries. As a result, the Company generally depends on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Company with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In particular, provisions of applicable law, such as those limiting the legal sources of dividends, limit the ability of the Company's subsidiaries to make payments or other distributions to the Company. Further, these subsidiaries could agree to contractual restrictions on their ability to make distributions to the Company. Certain loan agreements to which the Company's subsidiaries are party restrict their ability to declare and make distributions to the Company. The Company and its subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Company will have sufficient cash flows from distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Bonds.

The obligations of the Company under the Bonds will be effectively subordinated to all existing and future obligations of existing or future subsidiaries, and all claims of creditors of existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Company and those of the Company's creditors, including the holders of the Bonds. As a result, all of the existing and future liabilities of the Company's subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Bonds. In addition, even if the Company were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Company. The total indebtedness of the Group as of 31 December 2010 was approximately HK$8.4 billion.

The Group's subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Group and its subsidiaries which may limit the cash flows available to it to pay interest, principal or premium on the Bonds.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations, which differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. The Group's PRC subsidiaries, jointly controlled entities and associates are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from 1 January 2008, dividends paid by the Group's PRC subsidiaries, jointly controlled entities and associates to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if a non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in a PRC enterprise, this withholding tax rate may be lowered to 5%. However, according to the Circular of State Administration of Taxation on Printing and the Administrative Measures for Non-Resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties, effective on 1 October 2009, the 5% withholding tax rate does not automatically apply and approvals from the competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust a preferential tax rate of an offshore entity to the relevant tax rate that it otherwise would have been eligible for. There can be no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends received by the Group's subsidiaries in Hong Kong from its PRC subsidiaries. As a result of such factors, the Company or the Subsidiary Guarantors could face difficulties in making payments required by the Bonds or satisfying obligations under the Guarantee.

The Group's PRC subsidiaries are also required to pay a 10% (or 7%, if the interest is paid to a Hong Kong resident) withholding tax on the interest paid under any shareholders' loans. PRC regulations require approval by the SAFE before any of the Group's non-PRC subsidiaries may make shareholder loans in foreign currencies to the Group's PRC subsidiaries, jointly controlled entities or associates and require such loans to be registered with the SAFE. Prior to payment of interest or principal on any such shareholder loan, the Group's PRC subsidiaries, jointly controlled entities or associates must present evidence of payment of withholding tax on the interest payable and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

The Group's substantial leverage could adversely affect its general financial condition.

The Group has a substantial amount of indebtedness. As of 31 December 2010. the Group had total indebtedness of approximately HK$8.4 billion and no committed and undrawn facilities. In order to fund future operations and expansion, the Group expects to continue to incur additional indebtedness, which may limit its ability to obtain additional financing for working capital, capital expenditure, strategic acquisitions and general corporate purposes, require the Group to dedicate a substantial portion of its cash flow to service its debt, which will reduce funds available for other business purposes, limit its flexibility in planning for or reacting to changes in the markets in which it competes, place it at a competitive disadvantage relative to its competitors with less indebtedness, render it more vulnerable to general adverse economic and industry conditions and make it more difficult for it to satisfy its financial obligations or be able to refinance maturing indebtedness.

The Group's ability to meet its payment obligations under the Bonds and the Guarantee will depend on the success of its business strategy and its ability to meet and/or generate sufficient revenues to refinance its obligations, which are subject to uncertainties and contingencies beyond its control.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, the Bondholders may have to take such actions directly.

The Company may not be able to repurchase the Bonds upon the due date for redemption thereof.

The Company may, and at maturity will, be required to redeem all or, in the case of a Change of Control all or some only, of the Bonds. If such an event were to occur, the Company may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Company's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of its other indebtedness.

The liquidity of the Bonds may be adversely affected by the lack of a trading market.

There is no existing trading market for the Bonds. There can be no assurance as to the liquidity of any market that may develop for the Bonds or as to the ability of holders of the Bonds to sell or at what price such holders would be able to sell the Bonds. If such markets were to develop, the Bonds could trade at prices that may be higher or lower than the initial market values thereof depending on many factors, including prevailing interest rates and dividend rates of comparable securities and the market for similar securities. If an active trading market for the Bonds fails to develop or continue, this failure could adversely affect the trading price of the Bonds.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation and indebtedness of the Company as at 31 December 2010. This table should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2010 and the notes thereto, included elsewhere in this Offering Circular.

	As at 31 December 2010			
	Actual		As adjusted	
	HK$	US$	HK$	US$
	(in thousands)		(in thousands)	
Cash and cash equivalents	**1,679,496**	**216,709**	**[•]**	**[•]**
Short-term debt	**4,153,113**	**535,886**	**4,153,113**	**535,886**
Long-term debt:				
Long-term debt	4,224,425	545,087	4,224,425	545,087
Notes offered hereby	—	—	[•]	[•]
Total	**4,224,425**	**545,087**	**[•]**	**[•]**
Equity:				
Share capital	324,639	41,889	324,639	41,889
Reserves	8,341,021	1,076,261	8,341,021	1,076,261
Proposed final dividend	32,464	4,189	32,464	4,189
Total	8,698,124	1,122,339	8,698,124	1,122,339
Total capitalisation[1]	**12,922,549**	**1,667,426**	**[•]**	**[•]**

(1) "Total capitalisation" includes long-term debt plus shareholders' equity.

Except as described above, there has been no material change in the Company's consolidated capitalisation and indebtedness since 31 December 2010.

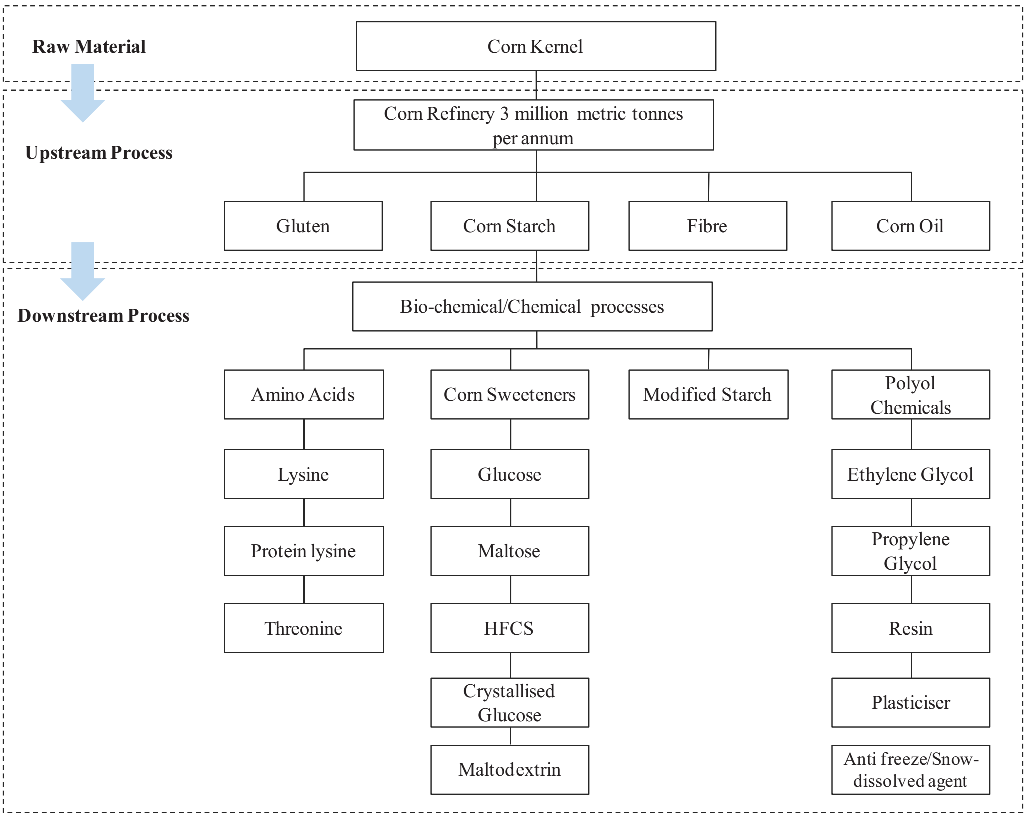
Overview

The Group is one of the largest vertically-integrated manufacturers of corn-based biochemical products in the PRC and the Asia Pacific region. The Group holds leading market positions in corn-based products.

- The Group is one of the largest corn refiners in the Asia Pacific region, with a current annual corn refinery capacity of approximately 3 million tonnes;
- The Group is one of the largest lysine manufacturers in the world in terms of production capacity;
- The Group is one of the largest protein lysine manufacturers in the world in terms of production capacity; and
- The Group is one of the leading producers of corn sweeteners in the PRC in terms of production capacity.

The Group is also one of the first companies to produce corn-based polyol chemicals in the Asia Pacific region and it has one of the largest production facilities for corn-based polyol chemicals in the region.

The Group's products are principally categorised into upstream and downstream products. The Group's upstream products include corn starch and by-products of the corn refinery process, such as gluten meal, fibre and corn oil. The Group's downstream products include amino acids, corn sweeteners, modified starch, and corn-based polyol chemicals. The Group's products are mainly used in the production of animal feed, corn oil, food and beverages, healthcare and pharmaceutical goods, textiles, cosmetics and plastics, among other products.



The Group's primary market is the PRC, which accounted for approximately 77% of the Group's total revenues for 2010. The Group also exports its products to more than 30 countries, including Japan, South Korea, the United States, Russia, Germany and Canada.

The Group's production facilities are strategically located in the golden corn belt of the PRC, in the Northeastern provinces of Jilin and Liaoning. The strategic locations of the Group's production facilities provide cost advantages in terms of sourcing, transportation and storage of corn kernel. The Group also operates facilities in Shanghai to capture demand from food and beverage manufacturers in the region. As at 31 December 2010, these facilities had a combined annual corn processing capacity of approximately three million metric tonnes and a combined annual production capacity of approximately two million metric tonnes of downstream corn-based biochemical products. In 2010, the Group's total corn refining production capacity represented approximately 1.75% of the total corn production in the PRC, which stood at approximately 172 million metric tonnes, according to an article published by efeedlink.com on 6 January 2011.

The Group recognises the importance of research and development of new products and improvement in production processes. The Group established its research and development department in 1996. It focuses on improving the Group's fermentation technology, production efficiency and the development of new products. As at 31 December 2010, the Group employed approximately 100 personnel with qualifications and advanced degrees in disciplines relevant to the corn-based products industry, including fermentation engineering, biological technology, applied biology and food engineering. The Group also maintains collaborations with leading research centres and universities in the PRC and the United States, such as the Starch Research Center and Lysine Research Center of the Chinese Academy of Sciences, Changchun Agriculture & Science Institute, Jilin Agricultural University, Jilin Province Light Industry Design Research Institute, Changchun Institute of Applied Chemistry and Purdue University. The Group has worked with these institutions to further advance its production processes and product applications.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 18 May 2000. The Company completed its initial public offering and listing of shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in March 2001. As at 15 April 2011, the Company's market capitalisation was approximately HK$5.6 billion.

In 2009 and 2010, the Group's revenues were HK$7.8 billion and HK$9.3 billion, respectively. The net profits for the same periods were HK$14 million and HK$374 million, respectively. As at 31 December 2010, the Group had total assets of HK$20 billion.

Competitive Strengths

High degree of vertical integration allows flexibility in quickly changing product mix

The Group has the flexibility to quickly change its product mix in response to changing market dynamics due to the vertically-integrated nature of its operations, including production of upstream and downstream corn products, distribution, research and development, marketing and sales. The Group's corn refinery plants provide a secure supply of corn starch, which is the primary raw material used in the production of the Group's downstream products. In addition, the Group uses certain production facilities interchangeably to produce different downstream products in response to prevailing market trends. For example, its glutamic acid production facilities have been switched to produce lysine. The Group believes this ability to control its own supply of corn starch and adapt its production technology know-how of downstream products at different facilities positions it well to maintain or improve its overall profit margin. In comparison, many of the Group's competitors produce only a limited range of corn-based products and have less flexibility to change their product mix. The Group believes that it is one of the few manufacturers of corn-based products in the PRC to have adopted such a highly integrated business model.

The Group uses corn starch in the production of a wide range of value-added downstream products, including amino acids, modified starch, polyol chemicals and corn sweeteners. The Group primarily sells its downstream products to third parties. However, the Group utilises some of its downstream products, such as glucose, to produce further downstream products, such as amino acids, crystallised glucose, sorbitol and polyol chemicals.

The Group's wide range of downstream products reduces risks posed by product and market concentration, as its products have a wide range of applications and uses in various industries. For example, the Group's amino acid products are primarily used in the agriculture and aquaculture industries as animal feed additives; its corn sweetener products are largely used in the fermentation of food and beverages and pharmaceutical industries; its modified starch products are used in the food and paper industries and its polyol chemicals products have applications in the chemical, construction, automotive and textile industries. The Group believes that the breadth of its product offerings, including both upstream and a wide array of downstream products, represents a competitive advantage in the PRC market, where a majority of its competitors focus on a limited range of corn-based products.

Large scale of production and leading market positions

The Group believes that it is one of the largest corn refiners in the PRC, accounting for approximately 80% of domestic lysine production and between 8% and 9% of total domestic corn sweetener production. The Group believes that it is one of the largest producers of protein lysine in the world based on production capacity. In addition, the Group believes that it is the only manufacturer in the PRC which produces corn-based polyol chemicals on a commercial scale. As one of the industry leaders focused on the corn-based products industry, the Group has cultivated strong relationships with customers, including leading domestic food and beverage manufacturers and certain bottler companies used by an internationally renowned beverage producer. The Group believes the large scale of its operations allows it to market and distribute its products more effectively, in accordance with the specific requirements of both large and small customers, including flexible delivery schedules and large quantity orders. Furthermore, the Group believes its leadership position in the corn-based products industry provides it with benefits such as strong customer loyalty, reputation and the ability to quickly expand to new products and geographic markets by leveraging on existing customer relationships. In addition, recent Guiding Opinions issued by the NDRC place significant restrictions on new enterprises seeking to participate in the corn refining industry, creating an effective entry barrier and further solidifying the Group's position in the corn-based products industry. See "Regulation".

Long and successful track record of product development

The Group has a long and successful operating track record and has successfully developed and launched new products throughout its history. The Company's predecessor company was founded in 1994 and the research and development department was established in 1996. The Group established its first corn refinery in 1998, commenced production of modified starch and corn sweeteners in 1999, and commenced production of lysine in 2000. In 2002, the Group's joint venture with Cargill commenced production of HFCS. In 2004, the Group successfully launched its protein lysine and commenced pilot production at its corn-based polyol chemicals plant. In 2006, the Group began production of glutamic acid and crystallised glucose. In 2007, the Group began full scale commercial production of its corn-based polyol chemicals products. Given this long and successful track record of product development, the Group believes it is well-positioned to capitalise on its experience and continues to develop and launch new corn-based products to the market.

Low cost operations

The Group believes its production facilities provide it with an efficient cost structure for upstream and downstream products. Its low cost operations are the result of its:

- *Strategic locations.* The major production facilities are located in the PRC's golden corn belt with abundant, low-cost corn kernel supplies and easy access to rail, highway and sea transportation to easily transport downstream products to customers in Southern China. A facility in Shanghai is strategically located in close proximity to local food and beverage manufacturers as well as transportation channels which allows the Group to supply liquid sweetener products to customers. Access to multiple transportation channels reduces delivery costs for both raw materials and finished products, enables the Group to respond rapidly to changing market dynamics and allows the Group to access favourably-priced corn from other regions of the PRC. The low levels of humidity and low temperature in the winter months in Northeastern China also provides favourable storage conditions allowing the Group to maintain lower warehousing costs for corn inventory.

- *Fully integrated, modern and highly automated technology.* The Group believes its self-designed production technology is among the most advanced available in the PRC, resulting in lower operating costs and more efficient conversion of corn to downstream products. The Group's modern technology includes mechanical operations chemicals, and organic chemical technologies. In addition, the Group believes that its advanced computer control systems and process automation increase its facilities' utilisation rate, energy efficiency and product quality. The Group's fully integrated operations also provide cost savings by eliminating certain intermediate steps required in stand-alone operations. For example, by locating its corn refinery plants at the same location as its downstream facilities, the Group avoids the need to dehydrate corn starch into powder form, transport the powder to downstream production facilities and rehydrate the powder for use in the production of downstream products, thereby reducing cost and increasing efficiency while ensuring quality control.

- *Scale of facilities.* The scale of the Group's facilities is carefully designed not only to enhance the maximise effectiveness and efficiency in terms of cost structure, but also enable the Group to become a stable supplier of raw materials to other downstream industries to various customers. The Group has the capacity to store several months' supply of corn kernel, which allows it to time its purchase of corn kernel during periods when prices are lower. The available land at its existing facilities also provides for possible future expansion, such as the Group's recent expansion in its Xinglongshan site.

Advanced technology and strong research and development capability

The Group's research and development efforts are focused on developing new products and improving its production yields. With the assistance of its research and development department, the Group has become a leader in developing downstream corn-based products in the PRC. For example, the Group believes that it is one of the first companies in the PRC to produce polyol chemical products from corn kernels. Polyol chemicals products include ethylene glycol, propylene glycol, glycerin and butanediols and have wide applications in the chemical, plastics, construction, automotive, cosmetic and textile industries. The Group's research and development efforts have also allowed it to improve its production yields and lower its raw material and utilities costs. The Group is currently conducting research and development of new downstream products with applications in a variety of industries. The Group will continue to conduct research and development of corn-based products, which it believes will be in high demand as a result of growing environmental awareness and other factors.

The Group has received, and continues to receive, PRC governmental support and grants for research and development of new products. For example, the Group received a governmental grant of approximately RMB30 million in 2010 to conduct research on polyol chemicals products and RMB20 million in 2010 to conduct research on amino acid products. The Group also collaborates with local and international research institutes and academic institutions in developing new products and exploring new means of improving its production technologies.

Experienced and proven management team

The Group's dedicated management team, led by its co-chairmen, Mr. Liu Xiaoming and Mr. Xu Zhouwen, has extensive knowledge and experience in the corn-based products industry. All of the Group's executive directors have worked together on the Group's management team for the last ten years. The Group's senior production and research and development executives have an average of over ten years of experience in the corn-based products industry. The Group's believes that its experienced management team, along with its experienced production and research and development teams, provide it with a significant advantage in pursuing its business objectives and maintaining its leading market share in the corn-based biochemical products industry.

Strong relationships with leading international enterprises in the corn-based products industry

The Group has entered into joint venture arrangements with leading international manufacturers in the corn-based products industry. The Group currently has a joint venture partnership with Cargill to develop and produce high fructose corn syrup ("**HFCS**"). Through these arrangements, the Group has been able to take advantage of its partners' technical knowledge and international distribution channels.

Market Opportunity

As one of the leading vertically-integrated corn refiners, the Group believes that it is well-positioned to benefit from the increasing demand in the PRC for various products in different industries. Demand for corn-based products is influenced by factors such as domestic economic growth, consumption of consumer and manufactured goods and industrial output. In recent years, the PRC has experienced strong growth in each of these areas. According to the National Bureau of Statistics of China, household consumption and gross industrial output grew at a compound annual growth rate of 9.1%

and 10.3%, respectively, for years 2009 and 2010. As the PRC continues to experience growth in these and other areas, the Group believes demand for corn-based products will continue to grow.

- *Amino acids.* According to the China Feed Association, consumption of lysine in the PRC grew from approximately 28,000 metric tonnes in 1998 to approximately 400,000 metric tonnes in 2009, at a compound annual growth rate of approximately 25%. In 2010, the market price of lysine products increased by approximately 25% as compared to 2009. The Group believes the growth of consumption of these products in the PRC is a result of the PRC government's economic stimulation policies and the growth in production of animal feeds, the principal application of its amino acid products. Lysine is an essential protein building block for animals and is required for the production of certain animal feeds. Since 2000, the PRC has been the largest producer of pork and poultry products in the world. The Group believes that this has stimulated the rapid growth of the feed production industry which, in turn, has led to increased demand for lysine products in the PRC.

- *Polyol chemicals.* Polyol chemicals products have applications in the textile, plastic, construction, medical, chemical and cosmetic industries, among others, and are used in products such as polyester fibres, polymer resins, anti-freeze, and chemicals used in the manufacture of coatings, adhesives, PVC stabilisers, detergents and paint driers. Currently, high value-added corn-based polyol chemicals products, such as ethylene glycol, are not widely produced in the PRC. The Group was one of the first manufacturers in the PRC to engage in large-scale, commercial production of these products. The Group believes that the use of corn starch as a raw material in the production of polyol chemicals products will increase in the PRC and the Asia Pacific region as a result of favourable economics, shortages in supply and persistently high prices of petrochemical-based products, growing environmental awareness and other geopolitical concerns.

- *Sweetener products.* According to United States Department of Agriculture, consumption of sugar products in the PRC grew by approximately 15,500,000 metric tonnes in 2010, representing a 4% increase compared to 2009. The Group believes growth of consumption of these products in the PRC is a result of increased demand in the PRC for convenient and processed food products, driven by rising disposable incomes.

- *Modified starch.* With the exception of food grade and paper grade modified starch which the Group produces, the market for modified starch is large but fragmented due both to the structural needs of, and its multiple applications across, various industries. Customers' orders typically compromise small quantities in a wide variety of specifications. In addition, the Group faces a high-level of domestic competition in the modified starch market which the Group believes, allied with the factors outlined above, saturates growth momentum.

In response to increasing domestic demand for downstream products, the Group has expanded its annual production capacity for upstream and downstream products by 42% and 13%, respectively, since 2007. The Group plans to continue to increase its production capacity in order to meet expected increases in demand. See "—Development and Expansion Projects."

Strategy

The Group's strategy is to build on its competitive strengths to become one of the leading manufacturers and distributors of corn-based products in the world. The following items represent some of the key elements of its strategy:

Continue to maintain and grow the Group's market-leading position in the PRC

The Group intends to further strengthen its leading market position in the corn-based product industry by continuing to expand its production capacity for upstream and downstream products and maintaining its focus on research and development.

- *Continue to develop its portfolio of downstream products, with a focus on polyol chemicals.* The Group believes that the market for its downstream corn products has significant growth potential, due primarily to the wide and increasing array of product applications in a variety of industries. Recognising the benefits of corn kernel as a raw material, the Group has substantially increased its portfolio of corn-based downstream products. For example, the Group commenced commercial production of protein lysine in 2004, crystallised glucose in 2006 and polyol chemicals in 2007. The Group plans to continue to develop its portfolio of corn-based downstream products, with a focus on polyol chemicals, which is a product the Group believes will offer strong growth prospects and attractive margins. The Group also intends to capitalise on growing environmental awareness and increasing consumer acceptance of products produced from downstream corn-based products.

- *Continue to focus on research and development.* The Group's research and development department has been crucial to its success in developing new products, product applications and production technologies. The Group plans to continue its investment in research and development in order to continue to develop new technologies and products, as well as more efficient manufacturing processes in each of its product segments. The Group is also working to develop new applications for its products, such as arginine and methionine (for amino acids series) and plasticiser and antifreeze/snow-dissolved agent (for polyol chemicals series). In addition, the Group intends to continue its collaboration with PRC and international research institutes and academic institutions, in order to take advantage of the latest technological innovations in its industry.

- *Continue to expand the Group's production capacity.* The Group intends to capitalise on the growing demand in the PRC for downstream corn-based products by continuing to expand its production capacity for these products. In the years 2009 and 2010, the Group has increased its annual production capacity for upstream products by 600,000 metric tonnes, and the Group intends to continue to expand production capacity. The Group's chemical production plant in Changchun has an annual production capacity of 210,000 metric tonnes.

Continue its focus on and become the market leader in corn-based polyol chemicals products

Corn-based polyol chemical products offer cost and other advantages over petrochemical-based polyol chemicals products. Corn, unlike petroleum, is a renewable resource. Due to growing environmental awareness and geopolitical concerns, the Group believes there is significant potential for the market for corn-based polyol chemicals products in substituting the petroleum base products, such as ethylene glycol and propylene glycol. In addition, based on current petroleum prices, its corn-based polyol chemicals products have cost advantages over petrochemical-based polyol chemicals products. The Group believes the demand for corn-based polyol chemicals products in the PRC will continue to grow and the Group is well positioned to capture this demand by virtue of being one of the first producers of corn-based polyol chemicals products in the PRC, having commenced production at its pilot plant in 2004 and commercial production at its 210,000 metric tonnes per annum facility in 2007. In June 2010, the Group completed the first phase of construction at Xinglongshan at its chemicals production plant in Changchun, adding 600,000 metric tonnes per annum of upstream facilities. The second, third and fourth phases of construction at the Xinglongshan site are expected to be completed in 2012, 2013 and 2014, respectively, adding a total of 1,000,000 metric tonnes per annum of polyol chemicals production capacity and a further 600,000 metric tonnes per annum of upstream facilities capacity. The Group intends to become a significant global supplier of these products and to grow its business as demand increases for corn-based polyol chemicals products in the PRC and other markets globally.

Continue to diversify its geographical distribution and customer base

In addition to broadening its customer base in the PRC, the Group is also utilising existing relationships and developing new relationships with overseas distributors to enhance its presence and build its market share abroad, with a continuing focus on countries in neighbouring countries in Asia which consume significant amounts of corn-based products. The Group believes that expanding its sales into overseas markets will improve its profit margins and also add value to its brand name. The Group's current primary markets outside of the PRC are Asia, including South Korea and the Philippines, Russia and Europe, including Poland, Belgium and Germany. Exports outside the PRC accounted for approximately 23% of its total revenues PRC in 2010.

The Group plans to increase its sales in overseas markets by taking the following steps:

- fostering existing relationships and developing new relationships with overseas distributors and customers;

- increasing its sales and marketing personnel, and expanding its international distribution networks.

History

The Group was founded in 1994 by Mr. Au Chun Fat and Mr. Kong Zhanpeng, both former directors of the Company, as a manufacturer of corn-based products. The current co-chairmen of the Company, Mr Liu Xiaoming and Mr Xu Zhouwen, joined the Group in 1996 and in 2001 respectively. The Company's ordinary shares were listed on the Hong Kong Stock Exchange in March 2001.

Since it commenced commercial production of corn-based feed products in 1994 (which it discontinued in 1998), the Group has successfully diversified its portfolio of upstream and downstream products. Over the years, the Group has also made significant efforts in research and development, which have allowed the Group to successfully develop a variety of valuable production processes and product applications for its downstream products. As a result of its consistent efforts, the Group has achieved steady improvements in its production technology and yields. Material developments in its business are further described below.

- In 1996, the Group began research and development of downstream products and construction of its first corn refinery.

- In 1998, the Group completed construction of its corn refinery and commenced commercial production of upstream products. The main output of the refinery, corn starch, is the key raw material in the production of the Group's downstream products.

- In 1999 and 2000, the Group diversified its operations to include commercial production of downstream products, including corn sweeteners and modified starch and lysine. Producing these value-added downstream products allowed the Group to take advantage of the higher profit margins associated with these products.

- In 2001, the Group expanded its corn processing capacity by building its second corn refinery in Changchun. This refinery produces corn starch, which the Group uses as a raw material in the production of its downstream corn-based products.

- In August 2001, the Group entered into a joint venture arrangement with Cargill for the establishment of a HFCS refinery in Shanghai. The refinery commenced commercial production in August 2002.

- In May 2003, the Group acquired a 70% equity interest in Jinzhou Yuancheng Bio-chem Technology Co., Ltd., a PRC company with an annual processing capacity of 600,000 metric tonnes of corn kernels. In June 2005, the Group acquired the remaining 30% equity interest in this company. By acquiring this company, the Group was able to further expand its production capacity of corn starch used to produce its downstream products.

- In October 2003, the Group entered into a joint venture with International Polyol Chemicals, Inc. and Icelandic Green Polyols Ehf. (collectively, "**IPP**") for the construction and operation of a new plant in Changchun to produce polyol chemical products. Under the joint venture agreement, the Group held a 75% equity interest and IPP held the remaining 25% interest in the joint venture. In July 2006, the Group acquired IPP's entire interest in the joint venture. Following this acquisition, the Group held the entire interest of the polyol business. The Group expanded the capacity of the polyol chemicals plant and, in November 2007, commenced commercial production of polyol chemicals. As at 31 December 2010, the production capacity had reached 210,000 metric tonnes per annum.

- In January 2004, the Group commenced commercial production of protein lysine and in the same month established a centralised amino acids production base in Dehui.

- In February 2004, the Group entered into a joint venture with Mitsui for the construction and operation of a plant in Changchun for the production and sale of sorbitol. The plant commenced operations in November 2005. In February 2008 the Group acquired the remaining interests in the sorbitol plant in Changchun from Mitsui. As at 31 December 2010, the plant had an annual production capacity of 60,000 metric tonnes.

- In September 2004, the Group acquired a 75% interest in Changchun Dihao Foodstuff Development Co., Ltd., a PRC incorporated company with an annual production capacity of approximately 150,000 metric tonnes of corn sweeteners. The Group acquired the remaining equity interest in this company in September 2005. The Group expanded the capacity of its corn sweeteners operations and, as at 31 December 2010, it reached 520,000 metric tonnes per annum. Glucose, the key output produced at this plant is, apart from sales to third parties, also used as a raw material in the production of other corn sweetener products, amino acids and polyol chemicals of the Group.

- In October 2004, the Group commenced construction of a plant to produce glutamic acid. The plant commenced commercial operations in March 2006 and, since 2008, has been used to produce lysine products in order to adapt to changing market demands. As at 31 December 2010, the plant had an annual production capacity of 100,000 metric tonnes.

- In June 2005, the Group acquired all of the equity interest in Changchun Dacheng Industrial Group Co., Ltd. ("**Dacheng Industrial**"), a PRC incorporated company, for a total consideration of HK$900 million. The major assets of Dacheng Industrial are minority interests in eight of the Group's subsidiaries and ownership of certain vacant sites for industrial uses near the Group's production plants. Through this acquisition, the Group owns all of the equity interests of these subsidiaries. The Group has used the land owned by Dacheng Industrial for the expansion of its polyol production plants and related facilities, including a corn kernel warehouse.

- In early 2006, the Group commenced construction of a plant in Changchun to produce crystallised glucose. The Group commenced commercial production at the first phase of the plant in December 2006. The second phase of this plant was completed in 2007. As at 31 December 2010, the plant had a combined annual production capacity of 240,000 metric tonnes of crystallised glucose.

- In September 2007, the Group completed the spin-off of its corn sweetener business. Pursuant to the spin-off, the Group made a public offer and private placing of 300,000,000 shares of GSH, representing approximately 30% of its shares. The shares of GSH were listed on the Hong Kong Stock Exchange.

- On 25 March 2010, GSH offered 100 million units of Taiwan Depositary Receipts ("**TDR**"), representing 100 million new shares of GSH, issued and allotted by GSH, and 100 million existing shares of GSH, transferred by a wholly owned subsidiary of the Company, to investors. The TDRs were listed on the Taiwan Stock Exchange (the "**TDR Issue**"). Upon completion of the TDR Issue, the Company's indirect interest in GSH was reduced from approximately 67% to approximately 52%. GSH remains a subsidiary of the Group.

- In July 2010, the Company raised approximately HK$679 million by way of a fully underwriten rights issue. The Company's shareholders were offered two rights shares for every five existing shares held at a subscription price of HK$0.75 per one rights share. The net proceeds were used for the repayment of bank borrowings and general working capital.

Recent Developments

On 2 March 2011, the Company and GSH announced that GSH was in discussions with an independent third party in relation to possible areas of strategic co-operation in corn processing and sweetener businesses within the PRC. As at the date of this Offering Circular, neither the Company nor GSH has entered into any definitive or legally binding agreements with such potential co-operation partner.

Products

The Group categorises its production output mainly into upstream products and downstream products.

The following table sets forth a breakdown of the Group's revenues by products (excluding the revenue generated from biological products segment which is operated by GSH) for the years indicated:

	Year Ended 31 December						
	2009			2010			
	Volume	Revenue		Volume	Revenue		
	(metric tonnes)	(HK$'000)	(%)	(metric tonnes)	(HK$'000)	(US$'000)	(%)
Upstream products							
Starch and by-products	1,075,490	2,354,296	30	1,102,748	2,776,654	358,278	30
Downstream products							
Amino acids	580,712	3,605,631	47	516,236	4,000,536	516,198	44
Corn sweeteners	401,501	918,937	12	460,400	1,329,878	171,597	15
Modified starch	60,392	168,008	2	63,952	218,491	28,192	2
Polyol chemicals	117,238	654,915	9	105,542	823,519	106,261	9
Sub-total	1,159,843	5,347,491	70	1,146,130	6,372,424	822,248	70
Total	**2,235,333**	**7,701,781**	**100**	**2,248,878**	**9,149,078**	**1,180,526**	**100**

Upstream Products

Upstream products comprise primarily corn starch and other by-products from the wet milling process, which include corn steep liquor meal, corn germ cake/germ meal, corn gluten meal and crude corn oil.

Corn starch is the principal product of the corn refining process. The Group uses corn starch in the production of its downstream products as well as selling it to third parties. Within the Group corn starch is further refined or processed into a wide range of value-added downstream products, such as corn sweeteners, amino acids, modified starch and polyol chemicals through vertical integrated processes. In 2010, the Group used 82% of the corn starch output internally to produce its downstream products. The remaining corn starch output and other by-products from the upstream process were sold to third parties. Revenues from the sale of upstream products represented approximately 30% of its total revenues for each of 2009 and 2010. As a result of the Group's continued development of its downstream products segments the internal use of corn starch is increasing. The decrease in volume of corn starch available for external sale reflects the Group's efforts to focus on sales of downstream products.

Corn starch

Corn starch is an important component in a wide range of processed foods, where it is used particularly as a thickener and binder. Corn starch is also a key raw material in the production of downstream products, including corn sweeteners, amino acids, modified starch and polyol chemicals.

By-products

Corn steep liquor is a high protein and high energy liquid ingredient consisting of the soluble portions of corn kernel removed by the steeping process and concentrated to high solids. It is a valuable source of B-vitamins and minerals and can be dried to form corn steep liquor meal, which is primarily used in animal feeds.

Corn germ cake is the residue of the germ of corn kernels after crude corn oil has been extracted. Corn germ cake can then be dried to form corn germ meal, which is a major constituent of animal feed.

Corn gluten meal is a by-product of the wet-milling process primarily sold as a high protein animal feed for use in agriculture and aquaculture.

Crude corn oil is extracted from the germ of corn kernels. Upon further processing into refined corn oil, corn oil can be used in the manufacture of food products, such as margarine, mayonnaise, salad dressing, soups and other foods, and non-food products, such as printing inks, soaps and leather tanning agents.

Downstream Products

Downstream products include amino acids, corn sweeteners, modified starch and polyol chemicals. The Group has completed the construction of a polyol plant commenced commercial production in November 2007. In the past three years, the Group has substantially expanded its annual production capacity and product portfolio of downstream products. Revenues from the sale of downstream products represented approximately 70% of its total revenues for each of 2009 and 2010. The Group's downstream products are described further below:

Amino acids

Revenues from the sale of amino acids represented approximately 46% and 43% of the Group's total revenues for 2009 and 2010, respectively. Amino acids are the building blocks of proteins, which are highly complex molecules present in all living things. Some amino acids cannot be synthesised by the animal or human body, and must be obtained from food sources. These are referred to as essential amino acids. Bacteria can synthesise all 20 amino acids, while humans and animals cannot. The Group produces certain essential amino acids, including lysine, glutamic acid and threonine.

Lysine and threonine

Lysine and threonine are essential amino acids used in swine feeds to produce leaner animals, and in poultry feeds to enhance the speed and efficiency of poultry production. The Group also produces protein lysine, which is a derivative of lysine that contains 65% lysine and 35% protein and is primarily used as an animal feed additive.

Corn sweeteners

Revenues from the sale of corn sweeteners represented approximately 12% and 14% of its total revenues for 2009 and 2010, respectively.

Glucose and maltose syrup

Glucose syrup is an important and commonly used feedstock for fermentation. It is also used in the confectionery and pharmaceutical industries as a sweetener and bonding agent to control the sweetness and crystallisation of confectionery and pharmaceutical products.

High fructose corn syrup (HFCS)

HFCS, the acronym of high fructose corn syrup, is widely used in beverages, canned fruits, ice-cream, bread and confectionary as a sweetening ingredient. The Group's 42-HFCS is among one of the common commercial grades of HFCS available in the industry, with a 42% fructose-concentration contained in the syrup.

Crystallised glucose

Crystallised glucose is the dehydrated form of glucose syrup and is easily dissolvable. Like glucose syrup, crystallised glucose is commonly used in the fermentation or biochemical industries due to its permeating and bulking quantities. Crystallised glucose has more applications than glucose syrup due to its added solubility, longer shelf life and the cost-effectiveness in shipping. The Group commenced commercial production of crystallised glucose in 2006.

Maltodextrin

Like maltose syrup, maltodextrin is used as an ingredient in food to enhance both flavour and texture. It is also used as a bulking agent for food and beverage products in maintaining emulsion stability.

Modified starch

Modified starch products represented approximately 2% of the Group's revenues for both 2009 and 2010. Modified starch has many applications in both food and non-food industries. Food-grade modified starch is used in products such as fast foods, candies and sausages. In the paper industry, modified starch is used to produce a smooth surface for printed communications and improve strength in recycled papers. In the corrugating industry, modified starch is used to produce high quality adhesives for the production of shipping containers, display boards and other corrugated products. In the textile industry, modified starch provides bulk and finishes for manufactured products. Modified starch is also used in the production of construction materials, pharmaceuticals and cosmetics.

Polyol chemicals

The Group started commercial production of polyol chemicals products in late 2007. Polyol chemical products, which include ethylene glycol, propylene glycol and butanediols, are used in the textile, plastic, construction materials, medical, chemical and cosmetic industries. Typical end products of polyol chemicals products include polyester fibres, polymer resins, anti-freeze, detergent and chemicals used in the manufacture of coatings and adhesives and PVC stabilisers.

Ethylene Glycol

Ethylene glycol is one of the main ingredients for polyethylene terephthalate, a type of polyester which is used to make fibres, films and bottles. Other major applications for ethylene glycol are anti-freeze for use in the automotive industry, cellophane, plastics and resins.

Propylene Glycol

Propylene glycol is one of the main ingredients used to produce unsaturated polyester resins, which are used in the construction industry and a wide array of consumer products, such as anti-freeze, plastics, lubricants, detergents, cosmetics and pharmaceutical products.

Resin

Resin can be used to produce unsaturated polyester resins, polyurethane, fuel additives, surfactants and emulsifiers. It can also be used as a solvent under certain circumstances.

Plasticiser

Plasticiser is used as additive to increase the plasticity or fluidity of materials such as cement, plastics, concrete and clay. When combined with plasticiser, materials tend to give out a shiny effect desired in certain products.

Antifreeze/snow-dissolved agent

Antifreeze and snow-dissolved agent (also known as snow melting agent), are used to melt the snow and ice on the road, bridge, airport runway and etc. The Group also produces antifreeze products that are used in automobile engines to prevent water from freezing in winter as well as overheating in summer.

Manufacturing and Production Plants

As at 31 December 2010, the Group owned and operated five production bases with a combined annual corn processing capacity of over three million metric tonnes and a combined annual production capacity of approximately two million metric tonnes of downstream products. The production facilities are primarily located in three regions of the PRC: (1) Changchun, Dehui and Xinglongshan in Jilin Province; (2) Jinzhou in Liaoning Province; and (3) Shanghai.

Changchun, Dehui and Xinglongshan Facilities

The key production facilities were strategically set up in the Jilin province in the golden corn belt of the PRC in order to take advantage of the rich corn resources in this region. The Changchun and Dehui facilities have a combined site area of over two million square metres. The Group’s Changchun and Dehui facilities have a combined annual production capacity of over three million metric tonnes of upstream and downstream products. By adopting a vertically-integrated production mechanism, the Changchun and Dehui facilities are effectively able to use corn starch in the form of wet corn slurry rather than dry corn starch as raw material, thereby removing the need to dehydrate, transport and rehydrate the corn starch, which makes the downstream production process more efficient, reduces costs and improves the quality of downstream products. The plants in Changchun produce upstream products, such as corn starch, and downstream products, such as amino acids, corn sweeteners, modified starch and polyol chemicals. The Changchun facility comprises two corn refineries, consisting of wet corn milling plants and germ extraction plants, one lysine and protein lysine plant, one glucose syrup/maltose syrup plant, one crystallised glucose plant, one modified starch plant, and two polyol chemicals plants. The Changchun facility also has a research and development centre, offices, warehouses for finished goods, an electricity generating stations, coal storage facilities and water treatment facilities.

The Group's production plants in Dehui comprise a centralised amino acids production base and a corn refinery. The Dehui facility, which is located approximately 110 kilometers from the Changchun facility, is effectively integrated with the Group's Changchun facility in the use of wet starch slurry for downstream operation production. The Dehui facility comprises a corn starch saccharification centre, ammonia production facilities, a lysine and protein lysine plant, offices, research and development facilities, warehouses for finished goods and corn kernels, housing facilities, electricity generating stations, coal storage facilities and water treatment facilities.

For further details on the Xinglongshan production facilities, see "—Development and Expansion Projects."

Jinzhou Facility

The Group's operates a corn refinery plant in Jinzhou, Liaoning Province, which has an annual production capacity of 600,000 metric tonnes of corn refined products. The Jinzhou facility comprises a corn refinery and crude corn oil extraction plant, as well as offices, a production support area, warehouses for dried corn starch and refined corn by-products, warehouses for corn kernels, a packaging plant, coal storage facilities, and a water and support station. Jinzhou also operates corn sweeteners production facilities which benefit from the plant's corn refinery which in turn produces the corn starch used as feedstock for corn sweeteners production. The Jinzhou facility currently comprises both glucose syrup and maltose syrup plants, and is equipped for further expansion into other corn sweeteners products such as crystallised glucose.

Jinzhou is located within the golden corn belt where there is an abundant supply of corn kernels. It also serves as a transportation hub facilitating the delivery of output to southern parts of the PRC and other Asian countries.

Shanghai Facility

The Group's corn sweetener production plant in Shanghai is strategically located in close proximity to local manufacturers in the food and beverage industry. The Shanghai facilities comprise both a glucose syrup and maltose syrup plant and a HFCS plant, as well as offices, housing facilities, warehouses for raw materials and finished goods, production support facilities, consisting of one boiler, a water treatment facility and a chemical treatment facility.

To maintain the Group's position in the corn refining industry in the PRC, the Group places great emphasis on achieving and maintaining a high standard of manufacturing quality. The Group also continuously seeks to enhance its production capacity and production technologies. The Group's production plants operate seven (7) days a week on a three-shift, eight hours per shift basis.

The following table below sets forth the annual production capacity and the respective utilisation rates of its production facilities for the periods indicated.

	Production Capacity		Utilisation Rate	
	Year Ended 31 December		Year Ended 31 December	
	2009	2010	2009	2010
	(metric tonnes)		(%)	
Changchun, Dehui & Xinglongshan				
Amino acids				
Lysine	102,000	128,000	100	100
Protein lysine	331,000	296,000	100	100
Others	27,000	76,000	99	98
Corn sweeteners				
Glucose syrup and maltose syrup	580,000	580,000	100	100
Crystallised Glucose	240,000	240,000	100	71
Modified Starch				
Modified starch	80,000	80,000	72	81
Chemicals				
Polyol chemicals	210,000	210,000	72	71
Corn Refinery				
Upstream products	1,800,000	2,100,000[1]	100	95
Corn Sweeteners	200,000	200,000	50	50
Jinzhou				
Upstream products	600,000	600,000	95	98
Shanghai				
Glucose syrup and maltose syrup	120,000	120,000	100	100
HFCS	120,000	120,000	50	50

Note:

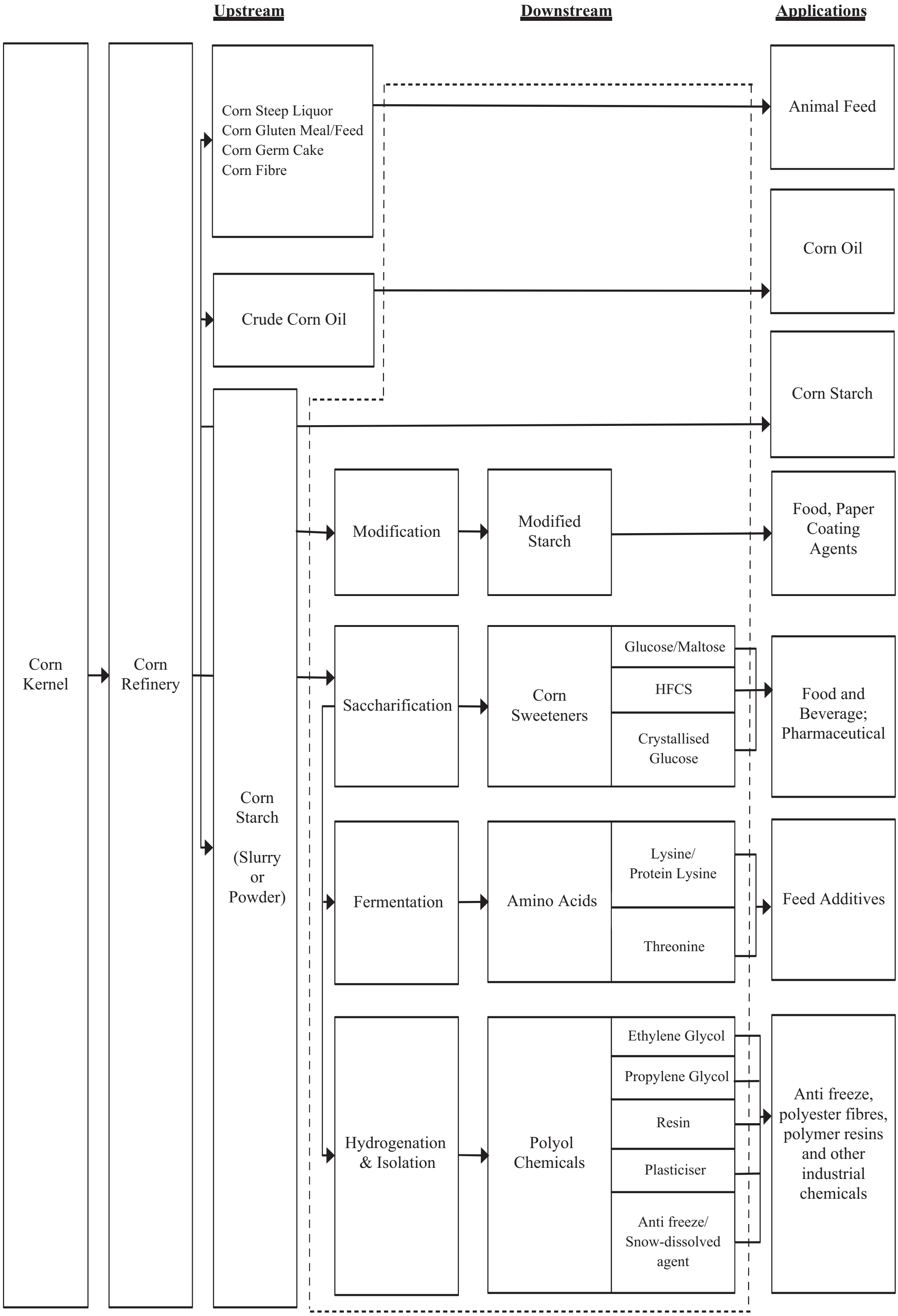
(1) The Xinglongshan project commenced production in June 2010. Therefore only 300,000 metric tonnes of its 600,000 metric tonne annual capacity are reflected in the table below.

Production Process

The key raw material of the Group's products is corn kernel, which contains a mixture of starch, gluten, oil, water, fibre, minerals, vitamins and pigments, wrapped in a cellophane-like package. Corn refining is a capital intensive, a wet milling process, corn is steeped in water-based solution and separated into starch and by-products, such as gluten, germ and crude corn oil, which are sold to third parties for use in animal and aquaculture feeds as well as other food and non-food uses. The starch is then either dried for sale or further processed, in the form of corn slurry, to make a variety of downstream products.

The Group's production process is highly automated and is largely controlled by a central computer system. This computer system enables the plant supervisors and technicians to control the temperature, pressure, flow rate, ingredient proportion and release of chemical ingredients at different stages of the production process. This allows the Group to maintain operational consistency and helps to assure purity of products with greater cost efficiency and reduce waste.

The following chart summarises the production processes for key upstream and downstream products.



A description of each of the key steps in the production process is provided below.

Purifying	to remove impurities like cob, dust, chaff, and foreign materials that are mixed with the corn kernels.
Steeping	to soak and soften corn kernels in liquid mixture which is mainly made up of water and sulphurous acid.
Grinding	to break the germ loose from other components of corn kernels.
Germ separation	to separate germ from the endosperm of corn kernels.
Mechanical and solvent extraction	to extract crude corn oil by pressing the corn germ.
Second grinding	to release starch and gluten from the fibre through more thorough grinding.
Fibre separation	to gather fibre from the mixture of starch and gluten after the second grinding.
Protein separation	to gather gluten from the mixture of starch and gluten. The corn powder resulting from this process is mixed with water to make starch slurry.
Cleansing and dehydration	to wash away the last traces of protein and remove water from starch slurry.
Biochemical modification	to modify starch via physical, chemical or biochemical means to suit various industrial applications.
Biochemical saccharification	to convert corn starch into sugar via a biochemical process, using a combination of heat and enzymes.
Fermentation	to transform sugar into other substances using specific microorganisms.
Hydrogenation	to change the chemical structure of an organic compound with hydrogen using high temperature and pressure.
Isolation	to separate the components from a mixture after hydrogenation.

Development and Expansion Projects

Polyol Chemicals Projects

Polyol chemicals include ethylene glycol, propylene glycol, glycerin and butanediols and can be used in textile, plastic, construction materials, medical, chemical and cosmetic industries. The end products from polyol include polyester fibre, polymer resin and anti-freezer, chemicals applied in the production of coatings, PVC stabilisers, detergents and paint driers. Historically, polyol chemical products have been produced using intermediate petrochemicals refined from further upstream petroleum products. The Group anticipates that the use of agricultural products as raw materials in the production of polyol chemical products will increase in the PRC and the Asia Pacific region as a result of favourable economics, supply shortages and persistently high prices for petroleum products and other geopolitical concerns.

As at 31 December 2010, the Group's polyol chemicals production plant in Changchun, which commenced production in November 2007, had an annual production capacity of 210,000 metric tonnes.

In order to service increasing demand for polyol chemicals products in the PRC and other regions in Asia, the Group decided to further expand its production capacity of polyol chemicals. In June 2010, the Group completed the first phase of construction of facilities in Changchun, adding 600,000 metric tonnes per annum of upstream facilities. The second, third and fourth phases of construction at the Xinglongshan site are expected to be completed in 2012, 2013 and 2014, respectively, adding a total of 1,000,000 metric tonnes per annum of polyol chemicals production capacity and a further 600,000 metric tonnes per annum of upstream production capacity.

The Group sells its polyol chemicals products, including ethylene glycol, propylene glycol and resin, primarily, to domestic manufacturers in the automotive, chemical and textile industries.

Raw Materials, Energy and Water

Corn Kernel

The principal raw material used in the production of the Group's corn-based products is corn kernel, which is stripped from the corn cob during harvesting. Corn kernel is divided into three main parts: the seed coat, or hull and fibre, the starchy endosperm and the embryo, which is commonly called the germ.

The Group sources all of its corn kernel from the PRC, which is the second largest producer of corn in the world, after the United States. The Group obtains its supply of corn kernel primarily from local farmers, trading companies and PRC state-owned granaries in the counties of Jilin Province, known as PRC's golden corn belt.

Corn kernel purchased from farmers, trading companies and granaries is primarily settled on a cash basis upon delivery. Purchases of corn kernel from suppliers are priced in Renminbi. The Group does not typically receive credit terms from farmers in its purchases of corn kernel.

The Group generally does not have any long-term supply contracts with its corn suppliers and purchase all of its corn in cash on a spot market basis. The supply of corn in the PRC has been, and is anticipated to continue to be, adequate for the Group's needs, and it has not historically had any difficulty in sourcing its corn kernel requirements.

The price of corn kernel, which is determined by reference to local demand and supply conditions and is substantially influenced outside of the PRC by international prices on the Chicago Board of Trade, fluctuates as a result of climate, farmer planting decisions, the presence of natural disasters or disease, livestock feeding need, shortages or surpluses of world grain supplies and domestic and foreign government policies and trade agreements.

Corn is also grown in other areas of the world, including the United States (the world's largest producer), Canada, Mexico, South Africa, Argentina, Brazil, Pakistan and Kenya. Due to the competitive nature of the corn refining industry and the availability of substitute products not produced from corn, such as sugar from cane or beet, downstream prices may not necessarily fluctuate in a manner that correlates to raw material costs of corn.

The Group's inventory policy is to maintain a sufficient stock of corn and other raw materials for up to four months' production, which it stores in a number of warehouses at its production facilities. The Group typically purchases corn kernels after harvesting in the fall, continuing through the winter, and store the corn kernels until the following harvest. In doing so, the Group is able to purchase most of its corn kernel requirements when corn kernel supplies are generally highest and prices are lowest. This policy also allows the Group to maintain sufficient quantities of corn kernel, which can protect it against fluctuations in prices and supplies of corn kernel.

Corn Starch

The principal raw material used in the production of the Group's downstream products is corn starch. In 2010, the Group sourced approximately 76% of its corn starch requirements internally, in the form of starch slurry, from its own corn refineries, and purchased the remainder from other refineries within the PRC. Purchases of corn starch from these suppliers are priced in Renminbi. The Group does not anticipate any difficulty in sourcing its corn starch requirements from these internal and third party sources.

Chemicals

The Group also uses certain chemicals in its production process, including sulfur, hydraulic acid, solvent naphtha, ammonium sulfate, ammonia and hydrogen peroxide. The Group obtains these chemicals from domestic manufacturers.

Water, electricity and coal

The Group uses a large amount of water in its manufacturing process. The Group obtains water supplies from local water utilities. The Group also uses substantial amounts of electricity in its manufacturing process. The Group obtains most of its electricity requirements from its own generating station(s) located at the Changchun and Dehui facility and the generating facility located at the Jinzhou facility. The rest of its electricity is supplied from local electricity providers. The Group uses coal to power its generating facilities. The Group obtains coal from nearby coal mines in the PRC, pursuant to supply contracts, typically of one year's duration. These contracts generally provide for different prices according to two seasonal periods.

Quality Control and Certifications

The Group has implemented a quality assurance programme pursuant to which it exercises strict quality control throughout the production process. The Group believes the high quality of its products is one of the primary factors contributing to its success. The Group has a team of approximately 300 employees in its quality control department, which is responsible for formulating and implementing its quality control systems and ensuring that its manufacturing processes are in strict compliance with PRC industry standards. Quality control staff perform inspections on raw materials that the Group sources from third parties, implement procedures in its manufacturing processes and inspect its products at various stages in the production process. Inspections consist of performing visual inspections and labouratory analysis of raw materials, semi-processed products and finished products. This is done in order to confirm that the finished products are consistent with customer specifications. Most of the Group's quality control team members have received tertiary diploma education and the Group provides training for them before they commence work as well as ongoing training.

Samples of all incoming raw materials are sent to the quality control department for testing to ensure that they meet the Group's quality standards. Raw materials that do not meet the Group's quality standards and specifications are rejected.

The Group also conducts quality checks at its stage of its production processes. The Group's senior management monitors quality control through review of daily production quality reports prepared by the production department.

Prior to the packaging and storage of its finished products at the warehouse, the Group's quality department will undertake random checks by conducting analysis of samples drawn from selected packages of each batch prior to storage at the warehouse.

The Group's quality control department and research and development department have established and implemented a quality control system which ensures its products meet applicable PRC and international quality standards.

The Group's internal quality control handbooks cover, among others, explanations of the relevant business unit, rules and guidelines for work process, purchase and management of raw materials and other materials, production processes, management of storage and transportation, production standards and product quality control. The internal quality controls are mainly operated according to the requirements of ISO9001 quality management systems, which the Directors consider to be widely adopted in the industry.

Inventory Control

The Group's inventory comprises mainly raw materials and finished products, which the Group stores in its own and third-party warehouses. The Group's inventory policy is to maintain a sufficient stock of corn and other raw materials for up to six months' production. For information on the Group's inventory policy of raw materials, see "— Raw Materials, Energy and Water."

The Group maintains inventory levels based on the anticipated market demand and other factors such as its working capital. Inventory policies are typically determined by the general manager of its respective subsidiaries in consultation with the Group's management. Factors which are taken into account in determining inventory levels include production targets and the Group's management's production plan for each facility.

The Group maintains its inventory records and perform monthly stock takes of its inventory on a random basis, as well as an annual inventory count for all its inventory.

Storage and Transportation

The Group transports its products primarily by rail, road and water. The Group uses its own means of transportation for internal transfer and/or transportation of production materials, in-progress products and/or finished products between members of the Group at the same location. The Group also outsources the transportation of finished products to its customers to independent service providers and such transportation costs are borne by them according to agreed terms. Alternatively, customers may arrange their own mean(s) of transportation to collect finished products from the Group's production facilities.

Sales and Marketing

The Group markets and sells its products to customers within the PRC through its sales and marketing teams at its headquarters and its sales and marketing network in the PRC. As at 31 December 2010, the Group's sales and marketing staff consisted of four people located in its headquarters in Hong Kong and 100 people in sales offices in the PRC. The Group maintains sales stations and warehouses in different geographic locations in order to facilitate the marketing and sale of its products in different locations in the PRC. All sales transactions are centralised in the Changchun head office.

The sales and marketing staff in the sales head office maintain close contact with customers in the PRC in order to keep current with the Group's customers' requirements and industry trends and developments, and to identify new market opportunities. The Group shares this information with its research and development department to assist them in the development of the Group's products. Likewise, the Group's sales and marketing staff in Hong Kong maintain direct contact with the Group's PRC and overseas customers. The Group invites its major customers to visit its production facilities and visits its major customers each year in order to maintain relationships and promote new products. In addition, the Group's marketing programmes also include participation in trade show exhibitions, conferences and technology seminars, sales training, public relations and advertising. There are currently no legal or regulatory controls which regulate the price of the Group's products. In general, the Group sets the price for its products on the basis of market demand for such products in domestic and overseas markets. The Group adopts a flexible pricing policy and strives to offer favourable prices to long-term customers and those who place large customer orders, in order to foster and maintain long-term and stable relationships with these customers.

The Group typically extends its established customers credit terms ranging from 30 to 90 days. Payment from overseas customers is generally made under a letter of credit at sight upon presentation of documents, which can be collected within 30 days after delivery of the goods. For customers in the PRC, the Group requires cash on delivery or settlement by bankers' acceptances with an average term of 60 to 90 days.

The Group adopts a provision policy against long outstanding doubtful debts. The Group regularly reviews overdue balances to assess recoverability and collectibility. In the years ended 31 December 2009 and 2010, the Group's trade receivables turnover was approximately 74 days and 75 days, respectively. The Group recorded the provision for doubtful debts of HK$41.3 million and a reverse of impairment of HK$15.9 million in 2009 and 2010, respectively.

Customers

The Group currently sells its products primarily to industrial manufacturers, distributors and international trading companies in the processed food and beverage, animal and aquaculture feed and chemical industries.

In 2009 and 2010, the Group's largest customer accounted for approximately 6% and 4% of the Group's revenues, respectively. In 2009 and 2010, the Group's top five customers accounted for approximately 18% and 13%, respectively, of the Group's revenues.

Competition

The Group faces competition in its upstream corn refined products as well as in its downstream corn-based biochemical products. Many of the Group's products are viewed as commodities that compete with virtually identical products manufactured by other competitors in the industry. Several of the Group's products also compete with products made from raw materials other than corn. The Group's sweetener products compete principally with cane and beet sugar products. Corn oil and gluten meal compete with products of the corn dry milling industry and with soybean oil, soybean meal and others. The Group's corn-based polyol chemical products compete with petrochemical-based polyol chemical products. Fluctuations in prices of these competing products may affect prices and margins of the Group's products.

Upstream Products

As the principal purpose of an upstream business is in securing a corn starch supply to facilitate downstream production, competition within the domestic or international market is minimal.

Downstream Products

As at 31 December 2010, there were a small number of companies in the PRC engaged in the production of corn sweeteners and amino acids. Most of these companies are not vertically-integrated, do not produce their own corn starch, the principal raw material of corn-based biochemical products, and have production plants that are smaller than the Group's production plants. Most of the Group's domestic competitors in the downstream product market have relatively small annual production capacities. According to the Group's estimates, the annual production capacity of most domestic producers of corn sweeteners and amino acids ranges from approximately 40,000 metric tonnes to approximately 250,000 metric tonnes for corn sweetener products and approximately 10,000 metric tonnes to approximately 50,000 metric tonnes for amino acids. The Group believes it is one of the largest manufacturers of lysine in the PRC, one of the largest producers of corn sweetener products in the PRC and one of the largest manufacturers of protein lysine in the world.

The Group's major competitors in the domestic downstream corn-based biochemical products market are producers of a similar size and scale to the Group, which also have the advantages of economies of scale and lower production costs and also produce their own supplies of corn starch, the principal raw material of downstream corn-based biochemical products. Accordingly, the Group faces limited competitive pressure within the PRC domestic market, where its market share is between 70% and 80%. Global competitors in overseas markets include Ajinomoto, CJ Corps and Degussa.

The principal competitive factors in the downstream products market are price, product quality and the ability to meet customers' delivery requirements, both in terms of schedule and product quantity. The Group believes it competes favourably with respect to each of these competitive factors. However, the Group's competitors, especially foreign competitors, may have greater access to financial resources, more experience in resource allocation, better ability in product innovation and longer operating histories.

Research and Development

The Group's future performance depends in part upon its ability to maintain and enhance its current products, develop new products, and maintain technological competitiveness in light of continued advancements in biochemical technology. As at 31 December 2010, the Group had approximately 100 research and development personnel located at its research and development centre in Changchun, comprising agricultural scientists and biochemical engineers who are supported by research institutes engaged by the Group to undertake specific research and development projects. The Group's research and development department pursues research, conducts analyses and experiments, develops new proprietary processes and selects, propagates and conserves microorganisms for biochemical processes. The Group's research and development department has been important to its historical growth and development into downstream operations, by developing its vertically-integrated operations, using advanced production processes, expanding its production plants, and developing new downstream products.

The Group's research and development staff carry out the following functions and activities:

- research and development of new types of products, including high value-added amino acids, such as arginine, methionine and valine, modified starches and polyol chemicals;

- research on the improvement of the Group's quality control system;

- research on the improvement of existing production technologies and operational efficiency;

- research and development of new microorganisms and in selecting, propagating and conserving microorganisms for existing production; and

- overall design of new plants and equipment, applying the most up-to-date technology.

The Group's research and development efforts have allowed it to improve its production yields and lower its raw material and utilities costs.

To strengthen its research and development capabilities, the Group collaborates with various science and academic institutions to perform research and development functions. The Group currently maintains collaborative arrangements with PRC research institutions, including the Starch Research Center and Lysine Research Center of the Chinese Academy of Sciences, the Changchun Agriculture & Science Institute, Jilin Agricultural University, the Jilin Province Light Industry Design Research Institute and the Changchun Institute of Applied Chemistry, and Purdue University in the United State. These institutions provide assistance in developing fermentation techniques, collecting data in microorganism cultivation, the designing and developing of new processes and equipment used in corn processing, developing derivative products from amino acids and corn starch as well as environmentally friendly products, waste material treatment processes and other facilities.

The Group's research and development expenses were HK$8.6 million and HK$17.3 million in 2009 and 2010, respectively. The Group anticipates that it will continue to incur significant expenses for research and development in the future as it continues to improve its manufacturing processes and develop its portfolio of downstream products.

Intellectual Property

The Group's success depends in part on its ability to obtain patents, licences and intellectual property rights covering its production processes and business activities. The Group's research and development team gives it the in-house capability to develop new technology and know-how for its production processes. The Group does not consider that any individual patent or trademark is material to its business.

The Group's ability to compete also depends on its ability to operate without infringing the proprietary rights of others. As is the case with many companies in the corn refining industry, the Group from time to time been the subject of legal proceedings instituted by third parties asserting patents that cover certain of its production processes and alleging infringement of certain intellectual property rights. Specifically, the Group is currently involved litigations in Europe and the PRC. See "— Legal Proceedings."

The Group may be subject to such legal proceedings in the future. Regardless of the validity, success or failure of such claims, the Group may be forced to incur significant costs and devote significant management resources to defending these claims, which could seriously harm its business. The Group does not believe that any of its production processes infringe the patent rights of other parties.

Regulations on Environmental Protection and Safety

The Group is subject to PRC national and local laws and regulations with respect to environmental and public health matters. Under these laws and regulations, all enterprises that discharge contaminants and other pollutants must take effective measures to prevent environmental damage caused by the discharge of materials into the air, water and ground. Enterprises that discharge such materials must report and register with the State Administration for Environmental Protection or the relevant local environmental protection department. Enterprises discharging contaminants in excess of the discharge limits or standards prescribed by the State or by the local authorities must pay discharge fees for the excess in accordance with state regulations, and they will also be responsible for handling the excess discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time period, and may be required to pay compensation for any losses or damages caused by the environmental pollution. In 2002, the Group was ordered to build additional facilities for waste water treatment and emission control to ensure its compliance with national environmental standards. If the Group fails to comply with present or future environmental laws and regulations, it could be subject to fines, suspension of production, termination of business license or a cessation of operations. In addition, the Group is subject to various laws and regulations concerning safety, including those relating to construction, the use of special equipment, training and protection of workers and safety examinations. Failure to comply with such laws and regulations may result in fines, suspension of production or a cessation of operations.

The Group's manufacturing facilities produce certain amounts of wastewater, gaseous waste and other industrial wastes. In addition, the Group operates coal-fired electricity generating facilities that produce certain amounts of gaseous waste. As a result, the Group believes that its manufacturing processes do not generate any material levels of noise, wastewater, gaseous wastes and other industrial wastes. To comply with the relevant environmental laws and regulations, the Group has instituted anti-pollution measures and carries out regular internal inspections at each of its production facilities. The Group has invested in and constructed pollution control facilities and implemented relevant pollution treatment systems to handle and dispose of such pollution in order to comply with applicable environment protection laws. These facilities include wastewater discharge control and treatment stations. The Group uses these facilities to retrieve and recycle wastewater, gaseous wastes and waste materials. There can be no assurance that the Group will be able to comply with PRC laws and regulations relating to environmental protection in the future, or that the costs of such compliance will not have a material adverse effect on the Group. In 2009, and 2010, the Group spent approximately HK$10 million and HK$10 million, respectively, for environmental control and wastewater treatment equipment to be installed at its production plants. The Group currently estimates that it will spend approximately HK$10 million for environmental facilities and programs in 2011.

Companies in the PRC are required to carry out an environmental impact assessment and obtain approval for the report on such assessment before commencing construction of production plants. Under relevant laws and regulations, production plants must include facilities for the prevention and control of pollution and treatment of waste materials. Before new production plants are allowed to commence operations, pollution control and waste processing mechanisms must be inspected and approved by the relevant environmental protection authorities. As at the date of this Offering Circular, the Group's PRC subsidiaries have not submitted applications nor obtained approval for an environmental impact assessment report for the construction of some of their manufacturing facilities and may, as a result, be subject to warnings, fines and, if they fail to meet the requirements of authorities, suspension of production activities. Nonetheless, the Group believes its operations are, in substance, in compliance with the general standards of PRC laws and regulations relating to environmental protection.

Properties

The Group's business headquarters are located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

In addition, the Group has 17 production facilities in six locations in the PRC, which comprise a gross floor area of approximately 754,000 square metres. The following table sets forth certain information regarding the Group's production facilities in the PRC.

Location	Number of Buildings	Gross Floor Area	Production Facilities	Warehouse Facilities	General Office Administration	Other Purposes[(1)]	Expiration of Land-use Rights
		(square metres)	(square metres)	(square metres)	(square metres)	(square metres)	
Changchun	8	341,000	167,000	18,000	24,000	132,000	20 October 2039 to 13 August 2047
Dehui	3	180,000	92,000	28,000	13,000	47,000	10 January 2054
Jinzhou.	2	121,000	39,000	44,000	7,000	31,000	28 December 2031
Xinglongsham. .	1	85,000	35,000	47,000	—	3,000	21 February 2055
Shanghai.	2	11,000	4,000	3,000	2,000	2,000	16 October 2051 to 18 August 2053
Songyuan	1	16,000	14,000	—	1,300	700	20 November 2054
Total	**17**	**754,000**	**351,000**	**140,000**	**47,300**	**215,700**	

(1) Including research and development facilities and staff quarters.

As at the date of this Offering Circular, the Company has not obtained building ownership certificates under PRC laws and regulations in relation to 85,000 square metres of its total gross floor area of 754,000 square metres. The Group's failure to obtain these title certificates may affect its ability to freely transfer, mortgage or dispose of these properties. See "Risk Factors — The Group has not obtained title certificates to some of the properties it occupies."

Insurance

The Group maintains insurance policies with insurance companies in the PRC, which provide insurance coverage on its properties and fixed assets, production facilities, equipment, inventory and transportation vehicles. The Group's policies cover property damage due to natural hazards, including lightening, typhoons and other natural phenomena, and accidents, including fire and explosion and general liability under property all risk insurance. In addition, the Group provides social security insurance for its employees as required by PRC social security regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance.

The Group's insurance coverage is subject to customary deductibles and limits on coverage. See "Risk Factors — The Group may not have enough insurance to cover potential operational risks."

Employees

As at 31 December 2010, the Group had approximately 6,000 full-time employees.

As required by PRC regulations, the Group participates in various employee benefit plans that are organised by municipal and provincial governments, including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plants. The Group is required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of its employees, up to a maximum amount specified by the local government from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

In addition, the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme as required under the Mandatory Provident Fund Schemes Ordinance, for its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The assets of the Mandatory Provident Fund retirement benefits scheme are held separately from the Group's assets in an independently administered fund, and its employer contributions vest fully with the employees when contributed into the scheme.

The total amount of contributions the Group made to employee benefit plans in 2009 and 2010 and was HK$20 million and HK$23 million, respectively.

The Group' s future success will depend, in part, on its ability to continue to attract, retain and motivate highly qualified personnel, for whom competition is intense. The Group pays its employees salaries at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. The Group believes that it maintains a good working relationship with its employees, and it has not experienced any significant labour disputes or any difficulty in recruiting staff for its operations. In accordance with PRC regulations, the Group has established an employee labour union, in which all of its employees are eligible for participation. The Group has not experienced any major dispute with, nor has there been any major labour action taken by, its labour union.

Legal Proceedings

As is the case with other companies in the corn-based products industry, the Group has from time to time received notices alleging infringement of intellectual property rights of others and breach of warranties. The Group investigates and evaluate each of these notices.

The Group is involved in litigation in Europe and the PRC. In this regard, on 16 May 2006, Ajinomoto Eurolysine S.A.S. and Ajinomoto Co., Inc. (collectively, "**Ajinomoto Europe**") initiated patent litigation against the Group alleging infringements by it of certain patent rights held by Ajinomoto Europe.

These patent rights also relate to the claimed use of patented genetic constructs and methods of using those constructs for producing lysine. In the litigation, Ajinomoto Europe alleged that the Group had infringed three patents by virtue of the offer for sale, import, and trading of lysine products in the Netherlands. On 22 August 2007, the Hague District Court handed down its judgment and held that the Group had infringed two of Ajinomoto Europe's patent rights in the Netherlands. The Hague District Court ordered the Group to, among other things, cease and desist from further infringement of these patent rights and awarded Ajinomoto Europe damages. The proceedings with regard to the third patent were stayed pending opposition proceedings before the European Patent Office. If the European Patent Office rules against the Group, the proceeding with regard to this third patent will resume in the Hague District Court. There is no assurance that the Group will be able to prevail.

As the Group had ceased to use the relevant bacteria strains and processed which were alleged to be infringing activities, it believes that its potential liability in these litigations is, notwithstanding the judgment in the Netherlands, limited. However, the amount of profit required to be surrendered and damage payable has not been determined. Moreover, there is a chance that the Group may be ordered to pay the full costs of the proceedings, including but not limited to expert and attorney fees. On

29 March 2011, the Hague Appeal Court upheld the decision of the Hague District Court pending a further interlocutory hearing on legal costs to be held on 13 May 2011. While the Group considers that it has grounds to appeal against the decision of the Hague Appeal Court, and is seeking legal advice on the feasibility of filing an appeal against the decision, there is no assurance that the Group will proceed with an appeal, or the outcome of such appeal will be in favour of the Group. See "Risk Factors — The Group's inability to obtain, preserve and defend intellectual property rights could harm its competitive position. The Group is the subject of a petition by a competitor alleging violation of certain patents in the Netherlands and, in 2007, a Netherlands court handed down a judgment that the Group had infringed certain patents of its competitors which decision has been upheld in the Hague Appeal Court recently. The Group could be subject to similar claims in other European countries where those patents are valid.".