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## **GLOBAL BIO-CHEM REPORTED LOSS IN 1H 2009 BUSINESS PERFORMANCE BEGAN TO IMPROVE IN 2Q**

Global Bio-chem Technology Group Company Limited (“Global Bio-chem” or the “Company” stock code: 00809) and its subsidiaries (the “Group”) reported a net loss attributable to equity holders of the Company of HK\$91 million for the six months ended 30 June 2009, as compared to a net profit in the same period of 2008, mainly due to significant decline in selling prices and sales volume amid the global economic downturn since the second half of 2008.

The board of directors of Global Bio-chem has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2009.

During the period under review, the average selling price and sales volume of most of the Group’s products declined, leading to a downward adjustment of the total revenue and gross profit by 29 per cent and 71 per cent to HK\$3.4 billion and HK\$358 million, respectively. Export sales, accounting for 15 per cent of the total revenue, dropped by approximately 9 per cent to HK\$526 million from that of 2008.

Since the second quarter, the sales performance of the Group’s major products showed signs of recovery, as the Group’s major customers in the agricultural-related and livestock industries have regained their growth momentum.

Sales of upstream and downstream products accounted for 31 per cent and 69 per cent of the Group’s total revenue, respectively, which basically remained at similar levels as the 32 per cent and 68 per cent, respectively, in the first half of 2008.

The amino acids division managed to achieve sustainable growth in sales volume of approximately 26 per cent, driven by stable market demand and intensified marketing effort in increasing market share. However, the improvement in sales volume could not fully offset the negative impact of falling selling prices, which declined significantly by 29 per cent when compared with that of the fiscal year of 2008. Revenue and gross profit of amino acids in the first half of 2009 decreased by 10 per cent and 51 per cent, respectively, when compared with those of the same period last year.

The Group’s polyol chemicals business encountered rigorous challenges due to severe market conditions, including slump in crude oil prices since the second half of 2008 and sluggish polyol prices resulting from excess inventory. In view of the slowdown in downstream industries and market demand, the capacity utilisation rate of the polyol chemicals production plant remained low, causing a significant decline in sales volume during the first half of 2009. As a precautionary measure, a provision for the polyol chemicals inventory had been made and charged to cost of

sales, leading to a gross loss of approximately of HK\$45 million from this business.

Performance of the Group's sweetener division was impacted by the lingering effect of the outbreak of the melamine-tainted food incident in the PRC and the global financial tsunami. As food and beverages industries started to recover in the second quarter of 2009, the average selling prices showed signs of stabilisation, and only the sales volume of corn sweetener products registered a decrease of 32 per cent. The revenue and gross profit of the sweetener division during the period under review declined by 33 per cent and 67 per cent, respectively, as compared to those of the same period last year.

The challenging market environment also pounded the upstream business in the first quarter of 2009. As market conditions gradually improved in the second quarter, the upstream operations began to revive. Revenue and gross profit of the upstream business during the first half of 2009 amounted to HK\$11 billion and HK\$88 million, respectively, representing decreases of 30 per cent and 70 per cent, respectively, as compared to those of the same period last year.

"In view of the recovering world economy, together with the initial effect of the Central Government's stimulus measures and economic revitalization policies, the Group believes the market and operating environment will significantly improve in the second half of the year. Indeed, the Group already saw improvement in the sales performance of its major products in the second quarter. In particular, the coming peak season is expected to further drive up lysine business in the second half of the year," said Mr Liu Xiaoming, Co-chairman of Global Bio-chem.

"The Group is actively involved in the development of new polyol chemicals products, utilising its technological niches and advanced manufacturing processes. We aim to extend the application of these polyol chemicals. In addition, the Group will explore the use of a wider range of sugar-based and other plant-based raw materials, in order to augment raw material advantages. The Group also strives to achieve high efficient operation and low emission through reducing the discharge of pollutants such as carbon dioxide during the production process. With further improvement in our product mix and diversification of customer base, the polyol chemicals operations will be able to achieve optimum utilisation, and will thus enhance profitability," said Mr Xu Zhouwen, Co-chairman of Global Bio-chem.

Mr Xu added: "Despite signs of recovery in the world economy, the management will remain on high alert to cope with any latent obstacles and challenges. The management will consolidate its leadership and prepare for the market recovery by upholding its prudent business approach, strengthening its internal control and cost control, and adopting a cautious financial policy. We are targeting to maintain a solid performance with steady growth and to deliver greater value to customers and shareholders."

### **About Global Bio-chem**

Global Bio-chem has been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 2001. The Group is principally engaged in the manufacture and sale, research and development of corn-based biochemical products in the People's Republic of China ("PRC"). Its products are sold in the PRC and other countries in Asia, Europe, America and Africa. Headquartered in Hong Kong and with its production facilities based in various provinces in the

PRC, Global Bio-chem is the largest vertically integrated corn-based biochemical product manufacturer in Asia with an annual corn processing capacity of 2.4 million metric tonnes. The Group is a leading lysine manufacturer in the world with an annual fermentation capacity of 460,000 metric tonnes. The Group has successfully developed a new technology using agricultural products/biomass as raw material for the commercial production of polyol chemicals products. Global Bio-chem is also the parent company of Global Sweeteners Holdings Limited, one of the largest corn sweeteners producers in the PRC, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

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Issued by: Global Bio-chem Technology Group Company Limited  
Through: CorporateLink Limited

**Attached with: Global Bio-chem' Unaudited Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2009**

**Global Bio-chem Technology Group Company Limited**  
**(Stock Code: 00809)**

**Unaudited Condensed Consolidated Statement of Comprehensive Income**  
**for the six months ended 30 June 2009**

	Six months ended 30 June	
	2009	2008
	(unaudited)	(restated)
	HK\$'000	(unaudited)
		HK\$'000
<b>REVENUE</b>		
Sales of goods	3,396,310	4,789,259
Cost of sales	<u>(3,038,450)</u>	<u>(3,533,930)</u>
Gross profit	357,860	1,255,329
Other income	30,042	58,462
Negative goodwill	--	24,036
Selling and distribution costs	(180,484)	(263,699)
Administration expenses	(121,550)	(136,673)
Other expenses	(14,361)	(60,470)
Finance costs	(156,007)	(194,091)
Share of profits of jointly controlled entities	<u>2,839</u>	<u>5,057</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(81,661)</b>	687,951
Tax	<u>(7,539)</u>	<u>(39,358)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b><u>(89,200)</u></b>	<b><u>648,593</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Exchange difference on translation of financial statements of operations outside Hong Kong	<u>(2,021)</u>	<u>310,901</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b><u>(91,221)</u></b>	<b><u>959,494</u></b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO</b>		
Equity holders of the Company	<b>(90,532)</b>	602,009
Minority interests	<u>1,332</u>	<u>46,584</u>
	<b><u>(89,200)</u></b>	<b><u>648,593</u></b>

**TOTAL COMPREHENSIVE INCOME(LOSS)**

**ATTRIBUTABLE TO:**

Equity holders of the Company	<b>(92,919)</b>	893,712
Minority interests	<b>1,698</b>	65,782
	<u><b>(91,221)</b></u>	<u>959,494</u>

**EARNINGS/(LOSS) PER SHARE**

– Basic	<u><b>HK(3.9)cents</b></u>	<u>HK26.0 cents</u>
– Diluted	<u><b>N/A</b></u>	<u>N/A</u>
<b>DIVIDEND PER SHARE</b>	<u><b>--</b></u>	<u>HK1.5 cents</u>