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GLOBAL BIO-CHEM'S 2008 GROSS PROFIT ROSE BY 10 PER CENT TO HK\$1.75 BILLION DESPITE DAMPENED MARKET CONDITIONS

Global Bio-chem Technology Group Company Limited ("Global Bio-chem" or the "Company" stock code: 00809) and its subsidiaries (the "Group") today reported an audited consolidated revenue and net profit attributable to the equity holders for the year ended 31 December 2008 (the "Year") of HK\$8.8 billion and HK\$622 million respectively. The Company's earnings per share were HK 26.8 cents (2007: HK 40.7 cents).

The Board of Directors of Global Bio-chem proposed a final dividend of HK 1.0 cent per share for the year ended 31 December 2008. Together with an interim dividend of HK 1.5 cents per share, the total dividend per share for the year under review would be HK 2.5 cents (2007: HK 3.0 cents).

Although the Group maintained its growth momentum in revenue and gross profit, its gross profit margin had declined to 20 per cent during the year under review. The sales performance of the Group's amino acids and polyol chemical products were strong during the first half of the Year. However, deteriorated business environment resulting from global economic downturn in the second half of 2008 had led to a drop in customers' inventory level and selling price. The valuation of closing inventories, in particular the polyol chemical products was also reduced. As a result, the Group's gross profit margin was affected.

During the Year, the revenue from upstream and downstream products accounted for 31 per cent and 69 per cent of the Group's total revenue respectively, as compared with 28 per cent and 72 per cent of the previous year respectively.

Despite the changes in economic environment, turnover and gross profit of the Group's downstream products rose substantially by 24 per cent and 8 per cent to HK\$6.1 billion and HK\$1.4 billion respectively when compared with those of the previous year. The upsurge was mainly attributable to the launch of polyol chemical products.

As a new income source, the Group's polyol chemical division generated a revenue of approximately HK\$1,027 million (2007: HK\$258 million), with a gross profit margin (before the provision for closing inventories) of approximately 24 per cent (2007: 5 per cent). The gross profit from this division during the Year amounted to approximately HK\$163 million (2007: HK\$20 million).

Amino acids, which mainly composed of lysine products, remained as the major and steady revenue contributor of the Group's revenue. Aggregate turnover and gross profit from amino acids in 2008 amounted to approximately HK\$3.5 billion (2007: HK\$3.1 billion) and

approximately HK\$1,009 million (2007: HK\$866 million), accounting for approximately 40 per cent (2007: 45 per cent) and approximately 58 per cent (2007: 54 per cent) of the Group's total turnover and gross profit respectively. Being the world's largest lysine producer, the Group was able to exert its influence on overall supply in the global market. Therefore, lysine prices remained relatively stable during the Year.

Sales volume of the Group's sweetener division dropped by approximately 24 per cent due to increased internal consumption of crystallised glucose and sorbitol for the production of polyol chemical products. The outbreak of melamine-tainted food incident in the PRC in the last quarter of 2008 and the global financial crisis had added pressure on the price of sweetener products. The sales amount and gross profit of sweetener division dropped by approximately 11 per cent and approximately 52 per cent to HK\$1,223 million and HK\$193 million respectively.

With respect to the upstream business, the gross margin of the Group's upstream products had been trimmed by increased corn starch supply in the market and softened selling price despite stable demand. However, with the corn refinery plant in Dehui began operation in 2008, which enabled to increase output of upstream products, the Group maintained a steady growth in the sales and gross profit of its upstream products.

In view of the vast market potential of the chemical business, the Company has begun developing a new polyol project in Xinglongshan, Changchun in addition to its existing annual capacity of 210,000 metric tonnes. In response to changing market environment, the Group has adjusted the schedule of construction of the Xinglongshan project, and it will be completed in different phases in order to reduce the capital expenditure.

"The Group will continue to fine-tune the composition of its polyol products, by developing its product portfolio and to actively explore new applications of polyol products to enlarge market coverage. The Group will continue to modify the bacteria strain for fermentation and catalysts for chemical reaction in order to enhance product quality and production efficiency," said Mr Liu Xiaoming, Co-chairman of Global Bio-chem.

"The Group will prudently operate its activities and will minimise its costs and capital expenditure to maintain a healthy cash flow. The Group's capital expenditure for the year of 2009 will be adjusted according to the pace of the project's development and maintain highly flexible," said Mr Xu Zhouwen, Co-chairman of Global Bio-chem.

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

450,000 metric tonnes. The Group is one of the pioneers in applying corn starch as raw material for the commercial production of polyol chemical 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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Global Bio-chem Technology Group Company Limited
(Stock Code: 00809)

Audited Consolidated Income Statement

	For the year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
REVENUE	8,810,004	6,796,871
Cost of sales	(7,059,277)	(5,201,191)
Gross profit	<u>1,750,727</u>	<u>1,595,680</u>
Other income and gains	199,321	121,634
Excess over the cost of a business combination	23,703	--
Gain on the spin-off of a subsidiary group	--	270,913
Selling and distribution costs	(542,586)	(372,376)
Administration expenses	(287,266)	(222,657)
Other expenses	(80,348)	(32,575)
Finance costs	(359,441)	(265,771)
PROFIT BEFORE TAX	704,110	1,094,848
Tax	(31,295)	(114,994)
PROFIT FOR THE YEAR	<u>672,815</u>	<u>979,854</u>
ATTRIBUTABLE TO		
Equity holders of the Company	621,777	943,486
Minority interests	51,038	36,368
	<u>672,815</u>	<u>979,854</u>
DIVIDENDS		
Interim	34,783	23,188
Proposed final	23,188	46,377
	<u>57,971</u>	<u>69,565</u>
EARNINGS PER SHARE		
ATTRIBUTABLE TO ORDINARY EQUITY		
HOLDERS OF THE COMPANY		
- Basic	<u>HK\$0.268</u>	<u>HK\$0.407</u>
- Diluted	<u>N/A</u>	<u>N/A</u>