



# Global Bio-chem Technology Group Company Limited

大成生化科技集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.globalbiochem.com>

(Stock Code: 0809)

## PLACING OF EXISTING SHARES AND TOPPING UP SUBSCRIPTION FOR NEW SHARES BY LXM LIMITED AND PLACING OF EXISTING SHARES BY VENDORS

Placing Agent



Goldbond Securities Limited

The Placing Agreement was entered into on 12 October 2004 pursuant to which the Placing Agent has agreed to place, on a best effort basis, 150,000,000 existing Shares held by LXM and the Vendors, together with a maximum of 40,000,000 existing Shares held by LXM and the Vendors upon the exercise of the Tranche 2 Option. The Placing Price is HK\$5.7 per Share.

On 12 October 2004, the Subscription Agreement was also entered into pursuant to which LXM will subscribe for the number of Shares placed on its behalf by the Placing Agent under the Tranche 1 Placing plus such number of new Shares as is equivalent to the additional number of Shares actually placed on its behalf by the Placing Agent upon the exercise of the Tranche 2 Option at a price of HK\$5.7 per Share. The Subscription is conditional upon the granting by the Stock Exchange of the approval for the listing of and permission to deal in the Subscription Shares and completion of the Placing. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

On the same date, the Tranche 2 Option granted by LXM and the Vendors to the Placing Agent pursuant to the Placing Agreement was exercised in full. The net proceeds of the Subscription by LXM comprising 120,000,000 Shares under the Tranche 1 Placing and 30,000,000 Shares under the Tranche 2 Option will be approximately HK\$832.6 million, representing a net placing price of approximately HK\$5.6 per Share. It is the intention of the Directors to spend approximately HK\$500 million and approximately HK\$200 million for building of polyol production facilities and expansion of corn refinery production capacity respectively, the remaining balance of approximately HK\$132.6 million will be used for general working capital of the Group.

As at the date of this announcement, each of LXM, Mr Liu, Mr Xu, Mr Kong and Mr Wang holds directly and/or indirectly approximately 16.5% , 17.4% (including the interest held through LXM), 10.6%, 9.2% and 9.0% of the existing issued share capital of the Company. After completion of the Placing and Subscription, LXM, Mr Liu, Mr Xu, Mr Kong and Mr Wang will hold directly and/or indirectly approximately 15.4%, 15.8% (including the interest held through LXM), 9.4%, 8.1% and 7.9% of the issued share capital of the Company as enlarged by the aggregate of 150,000,000 Shares under Tranche 1 Placing Shares and 40,000,000 Shares under Tranche 2 Placing Shares.

The net proceeds from the Subscription by LXM of 120 million Shares under Tranche 1 Placing and 30 million Shares following the exercise of the Tranche 2 Option are estimated to be approximately HK\$832.6 million.

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange effective from 2:30 p.m. on 11 October 2004 pending the release of this announcement. Application will be made by the Company for the resumption of trading of Shares with effect from 9:30 a.m. on 13 October 2004.

The Group is principally engaged in the manufacture of corn refined and corn based biochemical products in the PRC. The Group is also engaged in the research and development of corn based biochemical products. The Group's corn refined products mainly comprise corn starch, corn gluten, corn oil and feed. These products are further refined or processed into a wide range of value-enhanced corn based biochemical products, such as modified starch, corn sweeteners and amino acids.

### THE PLACING

#### Principal terms of the Placing

Date of the Placing Agreement	: 12 October2004
LXM	: LXM Limited directly holds 345,600,000 Shares, equivalent to approximately 16.5% of the existing issued share capital of the Company
Mr Liu	: Liu Xiaoming, is interested in 364,490,400 Shares, (including the 345,600,000 Shares held by LXM Limited, the entire issued share capital of which is beneficially owned by Liu Xiaoming), equivalent to approximately 17.4% of the existing issued share capital of the Company
Mr Xu	: Xu Zhouwen is interested in 221,040,000 Shares, equivalent to approximately 10.6% of the existing issued share capital of the Company
Mr Kong	: Kong Zhanpeng is interested in 191,094,400 Shares, equivalent to approximately 9.2% of the existing issued share capital of the Company
Mr Wang	: Wang Tiegungang is interested in 186,947,200 Shares, equivalent to approximately 9.0% of the existing issued share capital of the Company
Placing Agent	: Goldbond Securities Limited which is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules), agreed to place, on a best effort basis, the Placing Shares pursuant to the Placing Agreement.
Placees	: Not less than six placees (which will be individuals, corporate and/or institutional investors) who together with their ultimate beneficiaries are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules).
Rights	: The Tranche 1 Placing Shares and the additional Shares that may fall to be placed upon the exercise of the Tranche 2 Option will be sold free of any third party rights. The placees will not be entitled to receive the interim dividend of HK\$0.025 per Share declared by the Company on 1 September 2004 to be paid on or around 5 November 2004.
Placing price	: HK\$5.70 per Share, which was determined after arm's length negotiation between the LXM and the Vendors of the one part and the Placing Agent of the other part and (i) represents a discount of approximately 7.32% to the closing Shares price of HK\$6.15 as quoted on the Stock Exchange at 12:30 pm on 11 October 2004 immediately prior to the suspension of trading of Shares on the Stock Exchange; and (ii) represents a discount of approximately 5.94% to the average closing Share price of approximately HK\$6.06 for the ten consecutive trading days up to and including 8 October 2004, being the day immediately before the suspension of trading of Shares on the Stock Exchange.
Placing commission	: 2.5% of the amount equal to the Placing Price multiplied by the number of Shares actually placed (including the Tranche 2 Placing Shares pursuant to the exercise of the Tranche 2 Option) by the Placing Agent.
Number of Tranche 1 Placing Shares	: a maximum of 150,000,000 Shares (as to 120,000,000 Shares by LXM and as to 7,500,000 Shares by each of Mr Liu, Mr Xu, Mr Kong and Mr Wang), representing approximately 7.18% of the existing issued share capital of the Company.

### TRANCHE 2 OPTION

Pursuant to the Placing Agreement, LXM, Mr Liu, Mr Xu, Mr Kong and Mr Wang have granted the Tranche 2 Option to the Placing Agent, exercisable part or partial from the date of the Placing Agreement up to 5:00 p.m. on 19 October 2004, pursuant to which the Placing Agent has the right to require LXM, Mr Liu, Mr Xu, Mr Kong and Mr Wang to sell, at a maximum, an additional 30 million Shares, 2.5 million Shares, 2.5 million Shares, 2.5 million Shares and 2.5 million Shares respectively, representing approximately 1.44%, 0.12%, 0.12%, 0.12% and 0.12% respectively of the existing issued share capital of the Company, at the Placing Price, in one or more transactions, to be placed by the Placing Agent to individuals, corporate and/or institutional investors who are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules). The placees to be procured under the Tranche 2 Option will not be entitled to receive the interim dividend of HK\$0.025 per Share declared by the Directors on 1 September 2004 to be paid on or around 5 November 2004.

On the same date of signing of the Placing Agreement, the Tranche 2 Option granted by LXM and the Vendors to the Placing Agent pursuant to the Placing Agreement was exercised in full.

### COMPLETION

The Placing is unconditional. Completion of the Placing in respect of the Tranche 1 Placing Shares shall take place on or before the 14th day after the date of the Placing Agreement, while the completion of the Placing in respect of the Tranche 2 Placing Shares shall take on or before the 14th day after the date of the Placing Agreement.

The Company and the Vendors shall bear all the costs and expenses in relation to the Placing on a pro-rata basis.

### THE SUBSCRIPTION

#### Principal terms of the Subscription

Date of the Subscription Agreement	: 12 October 2004
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Issuer	: The Company
Subscriber	: LXM
Subscription price	: HK\$5.70 per Subscription Share
Number of Subscription Shares	: 120,000,000 Shares placed by LXM under the Tranche 1 Placing and taking no account of the exercise of the Tranche 2 Option, representing approximately 5.7% and 5.4% respectively of the existing and enlarged issued share capital of the Company. If the Tranche 2 Option is exercised in full, LXM will be required to subscribe for an additional 30,000,000 Shares, grossing up to an aggregate of 150,000,000 Shares representing approximately 6.8% and 6.7% respectively of the existing and the issued share capital of the Company as enlarged by the aggregate of the Tranche 1 Placing Shares and the Tranche 2 Placing Shares.
General mandate to issue the Subscription Shares	: The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 4 May 2004 under which the Directors are authorized to allot and issue up to 417,397,040 Shares, representing 20% of the issued share capital of the Company as at the date of passing of the resolution. Upon completion of the Subscription, the Company has the authority to allot and issue up to 267,397,040 Shares under the existing general mandate.
Ranking	: The Subscription Shares, when fully paid for and issued, will rank pari passu in all respects among themselves and with the other Shares in issue on the date of allotment of the Subscription Shares pursuant to the Subscription Agreement. (except the right for the entitlement to the interim dividend of HK\$0.025 per Share declared by the Company on 1 September 2004 payable on or around 5 November 2004.)

#### Conditions and completion of the Subscription

Subscription of up to 120,000,000 Subscription Shares (to be subscribed for in conjunction with the Tranche 1 Placing Shares) is conditional upon (i) completion of the placing of the Tranche 1 Placing Shares; and (ii) the granting of the approval by the Stock Exchange for the listing of and permission to deal in that portion of the Subscription Shares. Completion of the subscription of such number of Subscription Shares shall take place on such date as the Company and LXM may agree after the fulfillment of the conditions set out above, provided that such date shall not be later than the date falling 14 days after the date of the Placing Agreement. In the event the Subscription is not completed within 14 days after the date of the Placing Agreement, the Subscription will constitute a connected transaction pursuant to Rule 14A.31(3)(d) of the Listing Rules and the requirements of Chapter 14A will have to be complied with in connection with the Subscription.

Subscription of the additional 30,000,000 Subscription Shares or any portion thereof (to be subscribed for in conjunction with the exercise of the Tranche 2 Option) is conditional upon (i) completion of the placing of the Shares pursuant to the exercise of the Tranche 2 Option; and (ii) the granting of the approval by the Stock Exchange for the listing of and permission to deal in that portion of the Subscription Shares. Completion of the subscription of the additional 30,000,000 Subscription Shares or any portion thereof shall take place on or before 26 October 2004.

If the conditions set out above are not fulfilled on or prior to 26 October 2004 or such later date as may be agreed between the Company and LXM, the Subscription Agreement will lapse. The Company shall bear all the costs and expenses in relation to the Subscription.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

#### EFFECT OF THE PLACING AND THE SUBSCRIPTION

Effects on the shareholding structure of the Company pursuant to the Placing and the Subscription (together with the effect brought about by the exercise of all outstanding warrants and options granted to them as at the date of this announcement) are as follows:

	Existing shareholding structure		Immediately after the Placing (assuming the Tranche 2 Option is exercised in full)		Immediately after completion of subscription of the Subscription Shares		Assuming full exercise of the Tranche 2 Option and outstanding options		Assuming full exercise of the Tranche 2 Option and outstanding warrants	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LXM Limited (Note 1)	345,600,000	16.5%	195,600,000	9.4%	345,600,000	15.4%	345,600,000	14.8%	388,800,000	15.1%
Liu Xiaoming	18,890,400	0.9%	8,890,400	0.4%	8,890,400	0.4%	13,636,000	0.6%	15,997,300	0.6%
Xu Zhouwen	10,000,000	0.5%	—	0.0%	—	0.0%	13,040,000	0.6%	14,290,000	0.6%
Crown Asia Profits Limited (Note 2)	211,040,000	10.1%	211,040,000	10.1%	211,040,000	9.4%	211,040,000	9.0%	237,420,000	9.2%
Kong Zhanpeng	18,294,400	0.9%	8,294,400	0.4%	8,294,400	0.4%	13,040,000	0.6%	15,326,800	0.6%
Hartington Profits Limited (Note 3)	172,800,000	8.3%	172,800,000	8.3%	172,800,000	7.7%	172,800,000	7.5%	194,400,000	7.5%
Wang Tiegungang	14,147,200	0.7%	4,147,200	0.2%	4,147,200	0.2%	8,892,800	0.4%	10,661,200	0.4%
Rich Mark Profits Limited (Note 4)	172,800,000	8.3%	172,800,000	8.3%	172,800,000	7.7%	172,800,000	7.5%	194,400,000	7.5%
Public shareholders	1,125,414,700	53.8%	1,315,414,700	62.9%	1,315,414,700	58.8%	1,367,986,700	59.0%	1,508,411,850	58.5%
Total	2,088,986,700	100.0%	2,088,986,700	100.0%	2,238,986,700	100.0%	2,318,835,500	100.0%	2,579,707,150	100.0%

Notes:

- The entire issued share capital of LXM Limited is beneficially owned by Liu Xiaoming.
- The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Xu Zhouwen.
- The entire issued share capital of Hartington Profits Limited is beneficially owned by Kong Zhanpeng.
- The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Wang Tiegungang.

ADJUSTMENT OF SUBSCRIPTION PRICE OF WARRANTS AND EXERCISE OF OPTIONS

As at the date of this announcement, the Company has issued outstanding warrants carrying rights to subscribe up to 260,871,650 Shares at a current subscription price of HK\$9.80 per Share (subject to adjustment) exercisable at any time during the subscription period from 28 May 2004 up to and until 4:00 p.m. on 31 May 2007 and has granted outstanding options to subscribe for up to 32,428,800 Shares under the share option scheme of the Company during a period of 10 years commencing from 12 March 2001. Cargill International Trading Pte Ltd (“Cargill”) has the outstanding option to subscribe for up to 47,420,000 Shares during the exercise period from 25 March 2005 up to 23 April 2005 which was granted under an option deed entered into between the Company and Cargill. Cargill has been a strategic investor of the Group since the listing of the Shares of the Company on the Main Board of the Stock Exchange in March 2001.

No adjustment of the subscription price of warrants, the exercise price of the outstanding options and the exercise price of Cargill’s options are required to be made in accordance with the warrant instrument, the share option scheme and option deed respectively as a result of the Subscription.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The net proceeds from the Subscription of 120 million Shares under Tranche 1 Placing and 30 million Shares following the exercise of Tranche 2 Option by LXM are estimated to be approximately HK\$832.6 million. It is the intention of the Directors to use such net proceeds for future investment projects including, but not limited to, the building of polyol production facilities, expansion of corn refinery production capacity and for general working capital of the Group.

Polyol chemicals are traditionally refined from petroleum. The Group is able to synthesize a variety of chemical products that are normally produced through petrochemical processes. In view of the insufficient and expensive supply of petroleum in the foreseeable future, the use of agricultural products as raw material of polyol production becomes a feasible solution to cope with the issue. The Group is the pioneer to produce polyol chemicals by using corn starch as principal raw material commercially. The Group plans to spend approximately HK\$500 million on building production facilities of polyol chemicals with an expected annual production capacity of 200,000 tonnes by the end of 2005 and approximately HK\$200 million for expansion of production capacity of corn refinery, the remaining balance of approximately HK\$132.6 million will be used for the general working capital of the Group.

In view of the market conditions, the Directors consider that the Placing and the Subscription represent a good opportunity to raise capital for the Company for its future business developments and to broaden the shareholders base and capital base of the Company. The Directors are of the view that the terms of the Placing and Subscription are fair and reasonable and in the interest of the shareholders of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE 12 MONTHS BEFORE THE DATE OF THIS ANNOUNCEMENT

Within the 12 months before the date of this announcement, the following options and warrants were exercised by the respective holders and the funds raised are as follows:

	Shares issued	Average exercise price HK\$	Shareholders’ funds raised HK\$
Share options	78,800,000	1.56	122,616,000
Warrants	1,500	9.80	14,700
Total			122,630,700

The total funds raised in the amount of HK\$122,630,700 during the 12-month period before the date of this announcement have been or are intended to be used as capital expenditures and general working capital of the Group.

RESUMPTION OF TRADING OF SHARES

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange effective from 2:30 p.m. on 11 October 2004 pending the release of this announcement. Application will be made by the Company for the resumption of trading of Shares with effect from 9:30 a.m. on 13 October 2004.

DEFINITIONS

“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the Stock Exchange
“Director(s)”	the directors of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by the Placing Agent as agent on behalf of LXM and the Vendors pursuant to the Placing Agreement
“Placing Agent”	Goldbond Securities Limited, which is a deemed licensed corporation for Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the placing agent of the Placing
“Placing Agreement”	the placing agreement entered into on 12 October 2004 among LXM, the Vendors and the Placing Agent in relation to the Placing
“Placing Price”	HK\$5.7 per Placing Share
“Placing Shares”	the Tranche 1 Placing Shares and the Tranche 2 Placing Shares
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by LXM pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into on 12 October 2004 between the Company and LXM in relation to the Subscription
“Subscription Price”	HK\$5.7 per Subscription Share
“Subscription Shares”	new Shares to be subscribed for by LXM in such number as is equal to the number of Placing Shares sold for its behalf by the Placing Agent under the Placing Agreement subject to a maximum of 150,000,000 Shares
“Tranche 2 Option”	the option granted by LXM and the Vendors to the Placing Agent, exercisable from the date of the Placing Agreement up to 5:00 p.m. on 19 October 2004, pursuant to which the Placing Agent has the right to require LXM and the Vendors to sell, at a maximum, a total of 40,000,000 Shares (as to 30,000,000 Shares by LXM and as to 2.5 million Shares by each of the Vendors) at the Placing Price, in one or more transactions, to be placed by the Placing Agent
“Tranche 1 Placing”	the placing of the Tranche 1 Placing Shares under the Placing Agreement
“Tranche 1 Placing Shares”	a maximum of 150,000,000 Shares to be placed by the Placing Agent on behalf of LXM and the Vendors under the Placing Agreement
“Tranche 2 Placing Shares”	a maximum of 40,000,000 Shares to be placed by the Placing Agent on behalf of LXM and the Vendors upon exercise in full of the Tranche 2 Option
“LXM”	LXM Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially wholly owned by Liu Xiaoming, a Director and a Co-Chairman of the Company
“Vendors”	Liu Xiaoming, a Director and a Co-Chairman of the Company Xu Zhouwen, a Director and a Co-Chairman of the Company Kong Zhanpeng, a Director Wang Tieguang, a Director

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Liu Xiaoming  
Xu Zhouwen  
Kong Zhanpeng  
Wang Tieguang

Non-executive Directors:

Patrick E. Bowe  
Steven C Wellington  
(alternate director to Patrick E. Bowe)

Independent non-executive Directors:

Lee Yuen Kwong  
Chan Man Hon, Eric  
Li Defa

By order of the Board  
Global Bio-chem Technology Group Company Limited  
Liu Xiaoming Xu Zhouwen  
Co-Chairman Co-Chairman

Hong Kong, 12 October 2004

\* For identification purposes only