



# 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)*

## SETTING UP OF JOINT VENTURE VEHICLE WITH CARGILL, SUPPLEMENTAL JOINT VENTURE STRUCTURE AGREEMENT, JVC SUBSIDIARY JOINT VENTURE AGREEMENT, TECHNOLOGY LICENSE AGREEMENT, TECHNOLOGY SUB-LICENSE AGREEMENT, TRADEMARKS LICENSE AGREEMENT AND COMPANY NAME AGREEMENT AND THE OPTION DEED

Joint financial advisers to Global Bio-chem Technology Group Company Limited

**Deloitte & Touche  
Corporate Finance Ltd**



The Board is pleased to announce the setting up of Global Bio-chem-Cargill (Holdings) Limited, the joint venture vehicle owned as to 50% by the Company and 50% by Cargill, pursuant to the Joint Venture Structure Agreement entered into between the Company and Cargill announced on 8 August 2001. It was stipulated in the Joint Venture Structure Agreement that in addition to setting up the JVC Subsidiary, Global Bio-chem-Cargill shall also endeavour to invest into and hold equity interest in other similar projects that the parties may wish to pursue in the PRC.

The Supplemental Joint Venture Structure Agreement was entered into on 25 September 2001 among the Company, Cargill and GSIL to set out more detailed provisions regulating, among other matters, certain issues contemplated under the Joint Venture Structure Agreement.

Certain of the ancillary agreements as stipulated in the Supplemental Joint Venture Structure Agreement, including the Technology License Agreement, the Technology Sub-License Agreement, the Trademarks License Agreement and the Company Name Agreement, were entered into on 25 September 2001 which are to facilitate the future business and operations to be carried out by Global Bio-chem-Cargill, the JVC Subsidiary and the Shanghai Refinery.

The JVC Subsidiary Joint Venture Agreement was also entered into on 25 September 2001 among Global Bio-chem-Cargill, GBT Sub and CICL for the establishment of the JVC Subsidiary to build and operate the Shanghai Refinery. The registered share capital of the JVC Subsidiary shall be owned as to 80% by Global Bio-chem-Cargill, 10% by GBT Sub and 10% by CICL.

Pursuant to the Option Deed entered into on 25 September 2001 between the Company and Cargill, the Company has granted to Cargill the Tranche 1 Option, the Tranche 2 Option and the Tranche 3 Option to subscribe for 23,800,000 Shares, 36,800,000 Shares and 47,420,000 Shares respectively. Together with the 7,500,000 Shares currently held by Cargill as at the date of this announcement and assuming the exercise in full of the options granted pursuant to the option deed dated 6 March 2001 and the Options, Cargill will hold, in aggregate, 126,720,000 Shares, representing approximately 9.9% and 9.1% respectively of the existing and enlarged share capital of the Company.

The Directors will seek approval from shareholders of the Company at a special general meeting for a specific mandate to authorise the Directors to allot and issue such Shares which may fall to be allotted and issued pursuant to the exercise in full of the Options. At the special general meeting, the Directors will also seek approval from shareholders of the Company to renew the general mandate granted to the Directors on 28 May 2001 to allot, issue and otherwise deal with Shares up to a limit equal to 20% of the issued capital of the Company at the date of the special general meeting. A circular containing, among other matters, further details regarding the specific mandate, the renewal of the general mandate and the special general meeting to be convened shall be despatched to shareholders of the Company in due course.

### JOINT VENTURE VEHICLE

The Board is pleased to announce the setting up of Global Bio-chem-Cargill (Holdings) Limited, the joint venture vehicle owned as to 50% by the Company and 50% by Cargill, pursuant to the Joint Venture Structure Agreement entered into between the Company and Cargill announced on 8 August 2001. The issued capital of Global Bio-chem-Cargill shall be HK\$1,000 divided into 1,000 shares of HK\$1.00 each, of which each of the Company and Cargill shall acquire and subscribe for 500 shares at par. The board of directors of Global Bio-chem-Cargill consists of four directors, two of whom (including the chairman) are nominated by the Company and the remaining two are nominated by Cargill. Decisions of the board of Global Bio-chem-Cargill are to be reached by unanimous decision of all its directors.

It was stipulated in the Joint Venture Structure Agreement that in addition to setting up the JVC Subsidiary, Global Bio-chem-Cargill shall also endeavour to invest into and hold equity interest in other similar projects that the parties may wish to pursue in the PRC (which may include those for the manufacture and sale of products from the bio-fermentation of corn and/or starch).

### SUPPLEMENTAL JOINT VENTURE STRUCTURE AGREEMENT

Further to the Joint Venture Structure Agreement announced on 8 August 2001, the Supplemental Joint Venture Structure Agreement was entered into on 25 September 2001 among the Company, Cargill and GSIL to set out more detailed provisions regulating, among other matters, certain issues contemplated under the Joint Venture Structure Agreement.

Principal terms of the Supplemental Joint Venture Structure Agreement include, among others:

- that each of the Company and Cargill shall acquire and subscribe for 500 shares of HK\$1.00 each in the capital of Global Bio-chem-Cargill at par;
- that the Company shall advance HK\$40 million in cash to Global Bio-chem-Cargill pursuant to the Loan Note, and that Cargill shall enter into the Technology License Agreement with Global Bio-chem-Cargill and Global Bio-chem-Cargill shall issue to Cargill the Promissory Note of HK\$40 million, and that the Loan Note and Promissory Note shall rank junior and be subordinated to other indebtedness (existing or future, of whatever nature) of Global Bio-chem-Cargill, but shall otherwise rank *pari passu* with each other;
- that upon the establishment of the JVC Subsidiary, the ancillary agreements as stipulated in the Supplemental Joint Venture Structure Agreement which have not been entered into as at 25 September 2001 will be entered into among the relevant parties; and
- that upon the occurrence of any of certain events which principally relate to the due establishment and operation of the JVC Subsidiary and the construction and transfer of the Shanghai Refinery by Shanghai Haocheng to the JVC Subsidiary and as determined by Cargill solely in its discretion, Cargill shall have the option to require the Company to purchase all of Cargill's entire equity interest in Global Bio-chem-Cargill for a total consideration of US\$4.8 million and all of CICL's entire equity interest in the JVC Subsidiary for a total consideration of US\$300,000. The Directors do not anticipate the occurrence of any of such events.

In respect of the Shanghai Refinery, the Directors expect that construction of the Shanghai refinery will commence in October 2001 and shall become operational in the second half of 2002. It is intended that the annual production capacity of the Shanghai Refinery will be approximately 100,000 metric tons of HFCS.

### ANCILLARY AGREEMENTS

In addition to the Supplemental Joint Venture Structure Agreement, certain of the ancillary agreements as stipulated in the Supplemental Joint Venture Structure Agreement, which are to facilitate the future business and operations to be carried out by Global Bio-chem Cargill, the JVC Subsidiary and the Shanghai Refinery, were entered into on 25 September 2001 among the relevant parties to such agreements:

#### Technology License Agreement

The agreement entered into between Cargill and Global Bio-chem-Cargill for the licensing by Cargill to Global Bio-chem-Cargill, with a right to sub-license to Shanghai Haocheng and the JVC Subsidiary only, of the use of certain technical or business information and/or the reproduction and adaptation of certain copyright existing on the date thereof that is owned by and/or used by and/or licensed to and/or possessed by Cargill, relating to the production of HFCS and the engineering and design technology pertaining to the construction of the Shanghai Refinery.

#### Technology Sub-license Agreement

The agreement entered into between Global Bio-chem-Cargill and Shanghai Haocheng for the sub-licensing by Global Bio-chem-Cargill to Shanghai Haocheng of the use of certain technical or business information and/or the reproduction and adaptation of certain copyright existing on the date thereof (which is licensed to Global Bio-chem-Cargill by Cargill pursuant to the Technology License Agreement) pertaining to the construction of the Shanghai Refinery.

#### Trademarks License Agreement

The agreement entered into between Cargill and Global Bio-chem-Cargill for the licensing by Cargill to Global Bio-chem-Cargill, with a right to sub-license to the JVC Subsidiary, to use certain trademarks in the PRC in respect of the goods and packaging for HFCS which, as at the date thereof, are owned by Cargill and are being used, applied for and/or registered in the PRC for use with syrups.

#### Company Name Agreement

The agreement entered into among the Company, Cargill, GSIL and Global Bio-chem-Cargill for the licensing by Cargill to Global Bio-chem-Cargill of the use of the name "CARGILL".

### JVC SUBSIDIARY JOINT VENTURE AGREEMENT

Further to the Joint Venture Structure Agreement entered into on 8 August 2001 between the Company and Cargill, the JVC Subsidiary Joint Venture Agreement was entered into on 25 September 2001 among Global Bio-chem-Cargill, GBT Sub and CICL for the establishment of the JVC Subsidiary in Shanghai, the PRC to build and operate the Shanghai Refinery for the production of HFCS and other products that the parties to the agreement may decide from time to time for sale in the PRC, and the formation of the corporate structure of the JVC Subsidiary and the principles governing its ownership and management. The registered share capital of the JVC Subsidiary shall be owned as to 80% by Global Bio-chem-Cargill, 10% by GBT Sub and 10% by CICL.

The total investment capital and registered capital of the JVC Subsidiary shall be US\$6 million and US\$3 million respectively. Capital contribution to be made by each of Global Bio-chem-Cargill, GBT Sub and CICL shall be in the form of cash and in proportion to their respective equity interest in the JVC Subsidiary. Each of Global Bio-chem-Cargill, GBT Sub and CICL shall fulfill their respective capital contribution on or before the 15th day, the

15th day and the 195th day respectively following the JVC Subsidiary Joint Venture Agreement becoming unconditional. Dividends to be distributed by the JVC Subsidiary shall be in proportion to the capital contributions made by each of Global Bio-chem-Cargill, GBT Sub and CICL.

The JVC Subsidiary Joint Venture Agreement is conditional upon, among other matters, the JVC Subsidiary obtaining the relevant approvals from the PRC authorities and the proper execution of certain ancillary agreements stipulated in the Supplemental Joint Venture Structure Agreement, which are principally related to the due establishment and operation of the JVC Subsidiary and the construction and transfer of the Shanghai Refinery by Shanghai Haocheng to the JVC Subsidiary.

THE OPTION DEED

The Company and Cargill entered into the Option Deed on 25 September 2001 pursuant to which the Options have been granted by the Company to Cargill, the principal terms of which are set out below:

	Tranche 1 Option	Tranche 2 Option	Tranche 3 Option
Exercise period:	From the date falling 18 months after the date of the Option Deed up to 30 days after that date	From the date falling 30 months after the date of the Option Deed up to 30 days after that date	From the date falling 42 months after the date of the Option Deed up to 30 days after that date
Exercise price:	HK\$1.91	HK\$2.19	HK\$2.65
Shares to be allotted and issued pursuant to the exercise of Options under the relevant tranche:	23,800,000 Shares	36,800,000 Shares	47,420,000 Shares

The exercise price of each of the Tranche 1 Option, the Tranche 2 Option and the Tranche 3 Option were negotiated between the Company and Cargill on normal commercial terms and arrived at at arm’s length. The exercise price of each of the Tranche 1 Option, the Tranche 2 Option and the Tranche 3 Option represents a discount of approximately 3.5%, a premium of approximately 10.6% and a premium of approximately 33.8% respectively of the closing Share price of HK\$1.98 as at 24 September 2001. The exercise price of each of the Tranche 1 Option, the Tranche 2 Option and the Tranche 3 Option also represents a premium of approximately 2.1%, a premium of approximately 17.1% and a premium of approximately 41.7% respectively of the average closing Share price for the five consecutive trading days of approximately HK\$1.87 up to and including 24 September 2001.

The granting of the Options is conditional upon, among other matters, the approval by an ordinary resolution of the Company of the Option Deed and the allotment and issue of Shares which may fall to be allotted and issued pursuant to the exercise in full of the Options, and the Stock Exchange approving the Option Deed and granting the listing of and permission to deal in those Shares which may fall to be allotted and issued pursuant to the exercise in full of the Options.

Shares that may fall to be allotted and issued pursuant to the exercise of the Options shall rank equally among themselves and with the Shares in issue on the date of allotment of the relevant Shares so allotted and issued pursuant to the exercise of the Options.

The exercise price of each of the Tranche 1 Option, the Tranche 2 Option and the Tranche 3 Option is subject to adjustment (according to an opinion to be issued and certified by a merchant bank or financial institution in Hong Kong selected by the Directors) upon occurrence of certain events arising from any changes in the capital structure of the Company including, among other matters, a rights issue or a consolidation, sub-division or reduction of the share capital of the Company.

The Options shall not be assignable by either of the parties without the consent of the other party, except that Cargill may assign its benefit under the Options to any company which is its wholly-owned subsidiary or fellow wholly-owned subsidiary.

Prior to the entering into of the Option Deed, Cargill is the beneficial owner of an aggregate of 7,500,000 Shares, representing approximately 0.59% of the existing issued share capital of the Company as at the date of this announcement. In addition to that, Cargill has also been granted options to subscribe for a total of 11,200,000 Shares pursuant to an option deed dated 6 March 2001. As at the date of this announcement, none of those options has been exercised. Upon exercise in full of the options granted pursuant to the option deed dated 6 March 2001 and the Options, Cargill will hold, in aggregate, 126,720,000 Shares, representing approximately 9.9% and 9.1% respectively of the existing and the enlarged share capital of the Company. The potential dilution effect on the existing shareholders of the Company is set out below:

	Existing shareholding structure		Upon exercise in full of the options granted under the option deed dated 6 March 2001		Upon exercise in full of the options granted under the option deed dated 6 March 2001 and the Options	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
LXM Limited <i>(Note)</i>	288,000,000	22.50	288,000,000	22.30	288,000,000	20.58
Hartington Profits Limited <i>(Note)</i>	288,000,000	22.50	288,000,000	22.30	288,000,000	20.58
In-depth Profits Limited <i>(Note)</i>	240,000,000	18.75	240,000,000	18.60	240,000,000	17.15
Cargill	7,500,000	0.59	18,700,000	1.45	126,720,000	9.06
Public	456,500,000	35.66	456,500,000	35.35	456,500,000	32.63
<b>Total</b>	<b>1,280,000,000</b>	<b>100.00</b>	<b>1,291,200,000</b>	<b>100.00</b>	<b>1,399,220,000</b>	<b>100.00</b>

*Note:*  
  
The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, a Director and the chairman of the Company.

The entire share capital of Hartington Profits Limited is beneficially owned as to 50% by Mr. Kong Zhanpeng and Mr. Au Chun Fat, both Directors.

The entire share capital of In-depth Profits Limited is beneficially owned by Mr. Au Chun Fat.

The Directors confirm that the Options, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, will not exceed 20% of the issued share capital of the Company at the date of the Option Deed. The Directors further confirm that neither the Joint Venture Structure Agreement nor the Supplemental Joint Venture Structure Agreement was conditional upon the granting of the Options. The Directors believe that the strategic relationship between the Group and Cargill can be further enhanced by the granting of the Options.

A special general meeting of the Company will be convened for shareholders of the Company to approve the granting of a specific mandate to authorise the Directors to allot and issue Shares which may fall to be allotted and issued pursuant to the exercise in full of the Options, where Cargill and its associates will abstain from voting. At the special general meeting, the Directors will also seek approval from shareholders of the Company to renew the general mandate granted to the Directors on 28 May 2001 to allot, issue and otherwise deal with Shares up to a limit equal to 20% of the issued capital of the Company at the date of the special general meeting. A circular containing, among other matters, further details regarding the specific mandate, the renewal of the general mandate and the special general meeting to be convened shall be despatched to shareholders of the Company in due course.

DEFINITIONS

“Board”	the board of Directors
“Buildings-In-Construction Transfer Agreement”	the agreement to be entered into among Shanghai Haocheng, the Company and the JVC Subsidiary for the construction and sale of the Shanghai Refinery
“Cargill”	Cargill, Incorporated, a company duly organised and existing under the laws of the State of Delaware, the United States of America and a strategic investor of the Company holding approximately 0.6% of the entire issued share capital of the Company as at the date of this announcement and the holder of options to subscribe for a total of 11,200,000 Shares granted by the Company on 6 March 2001 pursuant to the Cargill Option Deed as more particularly described in the prospectus of the Company dated 7 March 2001 issued in connection with the listing of the Shares on the Stock Exchange
“CICL”	Cargill Investments (China) Ltd., a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of Cargill
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Company Name Agreement”	the agreement entered into on 25 September 2001 among the Company, Cargill, GSIL and Global Bio-chem-Cargill for the licensing by Cargill to Global Bio-chem-Cargill of the use of the name “CARGILL”
“Directors”	the directors of the Company
“GBT Sub”	Datex Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company which, pursuant to the Joint Venture Structure Agreement and supplemented by the Supplemental Joint Venture Structure Agreement, will own 10% of the equity interest of the JVC Subsidiary
“Global Bio-chem-Cargill”	Global Bio-chem-Cargill (Holdings) Limited, the joint venture private company incorporated in Hong Kong which is owned as to 50% by the Company and 50% by Cargill
“GSIL”	Global Sweeteners Investments Limited, a wholly owned subsidiary of the Company which directly owns 50% of the equity interests of Global Bio-chem-Cargill
“HFCS”	high fructose corn syrup, a corn sweetener widely used in the beverage industry
“Joint Venture Structure Agreement”	the agreement entered into on 8 August 2001 between the Company and Cargill setting out the formation of the corporate structure and the principles governing the ownership and management of Global Bio-chem-Cargill and supplemented by the Supplemental Joint Venture Structure Agreement
“JVC Subsidiary”	a subsidiary of Global Bio-chem-Cargill to be established in Shanghai, the PRC as a wholly foreign owned enterprise which will be owned as to 80% by Global Bio-chem-Cargill, 10% by GBT Sub and 10% by CICL to operate the Shanghai Refinery
“Loan Note”	the loan note for the amount of HK\$40 million to be issued by Global Bio-chem-Cargill to the Company in a form to be agreed
“Option Deed”	the deed entered into on 25 September 2001 between the Company and Cargill in respect of the Options
“Options”	the Tranche 1 Option and/or the Tranche 2 Option and/or the Tranche 3 Option
“Promissory Note”	the promissory note evidencing a promise by Global Bio-chem-Cargill to pay Cargill an amount of HK\$40 million to be issued by Global Bio-chem-Cargill to Cargill in a form to be agreed
“Shanghai Haocheng”	Shanghai Haocheng Food Development Co., Ltd., a subsidiary of the Company established in Shanghai, the PRC which, pursuant to the Buildings-In-Construction Transfer Agreement, will be responsible for the construction and sale of the Shanghai Refinery
“Shanghai Refinery”	a refinery to be constructed by Shanghai Haocheng and sold to the JVC Subsidiary pursuant to the Buildings-In-Construction Transfer Agreement for the production of HFCS and other products which the Company and Cargill may decide from time to time produce
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Joint Venture Structure Agreement”	the supplemental agreement to the Joint Venture Structure Agreement entered into on 25 September 2001 among the Company, Cargill and GSIL
“Technology License Agreement”	the agreement entered into on 25 September 2001 between Cargill and Global Bio-chem-Cargill for the licensing by Cargill to Global Bio-chem-Cargill of the use of certain technical or business information and/or the reproduction and adaptation of certain copyright relating to the production of HFCS and the engineering and design technology pertaining to the construction of the Shanghai Refinery
“Technology Sub-License Agreement”	the agreement entered into on 25 September 2001 between Global Bio-chem-Cargill and Shanghai Haocheng for the sub-licensing by Global Bio-chem-Cargill to Shanghai Haocheng of the use of certain technical or business information and/or the reproduction and adaptation of certain copyright (sub-licensed to it by Cargill pursuant to the Technology License Agreement) pertaining to the construction of the Shanghai Refinery
“Trademarks License Agreement”	the agreement entered into on 25 September 2001 between Cargill and Global Bio-chem-Cargill for the granting by Cargill to Global Bio-chem-Cargill of the license, with a right to sub-license to the JVC Subsidiary, to use certain trademarks in the PRC
“Tranche 1 Option”	the option granted by the Company to Cargill to subscribe for 23,800,000 Shares exercisable by Cargill from the date falling 18 months after the date of the Option Deed to 30 days after such date
“Tranche 2 Option”	the option granted by the Company to Cargill to subscribe for 36,800,000 Shares exercisable by Cargill from the date falling 30 months after the date of the Option Deed to 30 days after such date
“Tranche 3 Option”	the option granted by the Company to Cargill to subscribe for 47,420,000 Shares exercisable by Cargill from the date falling 42 months after the date of the Option Deed to 30 days after such date

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

Hong Kong, 25 September 2001

\* For identification purposes only