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## **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)*

**(Stock code: 00809)**

### **ANNOUNCEMENT**

#### **(1) PROVISION OF FINANCIAL ASSISTANCE**

##### **BY THE GROUP TO A SUPPLIER**

#### **(2) POSSIBLE DISPOSAL OF LANDS AND BUILDINGS BY THE GROUP**

#### **(3) SUSPENSION AND RELOCATION OF PRODUCTION OPERATIONS OF**

##### **THE GSH GROUP AT LU YUAN DISTRICT, CHANGCHUN**

#### **(4) THIRD PARTY FINANCIAL ASSISTANCE PROVIDED**

##### **BY THE GSH GROUP**

#### **PROVISION OF FINANCIAL ASSISTANCE BY THE GROUP TO A SUPPLIER**

During November 2010 to March 2015, certain members of the Group entered into the Supplier Guarantees for the benefit of the Supplier in respect of its certain bank borrowings.

The Supplier was one of the biggest direct suppliers to the Group. The Supplier is beneficially majority-owned by the labour union of the PRC employees of the Group and is independent of the Company.

As the applicable percentage ratios in respect of the Supplier Guarantees exceeded 25%, the Supplier Guarantees constituted a major transaction of the Company and were therefore subject to the notification, announcement and shareholders' approval requirements under the Listing Rules.

In addition, as the provision of guarantees under the Supplier Guarantees constituted advances to an entity under Rule 13.13 of the Listing Rules, and since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the Supplier Guarantees in its interim reports and annual reports during the relevant periods when the Supplier Guarantees were in effect.

\* *For identification purposes only*

As such, the failures by the Company to comply with the above requirements constituted non-compliance with Rules 13.13, 13.14, 13.20 and Chapter 14 of the Listing Rules.

#### **POSSIBLE DISPOSAL OF LANDS AND BUILDINGS BY THE GROUP**

The Group (including the GSH Group) are owners of the Subject Tract, which is located on the east side of Xihuancheng Road, Lu Yuan District, Changchun, PRC with a total site area of some 1,071,000 sq. m. and buildings erected thereon with total gross floor area of about 448,000 sq. m.. The lands (with the buildings thereon) on the Subject Tract are owned by different members of the Group. These owners have been in discussions with the Changchun Land Reserve Centre for the resumption of the Subject Tract at an amount of compensation to be agreed. Based on the book values attributable to the lands and buildings comprised in the Subject Tract as at 31 December 2014, a resumption of the Subject Tract will constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. If these transactions proceed, further announcement(s) will be made by the Company. It should however be noted that there is no binding agreement for a resumption of the all or any part of the Subject Tract, or when such agreement may be entered into, or the amount of compensation payable.

#### **SUSPENSION AND RELOCATION OF PRODUCTION OPERATIONS OF THE GSH GROUP IN LU YUAN DISTRICT, CHANGCHUN**

Shareholders of the Company and potential investors are also advised to read the announcement of GSH dated 31 March 2015 in relation to the suspension and relocation of production operations of the GSH Group in Lu Yuan District, Changchun, the PRC.

#### **THIRD PARTY FINANCIAL ASSISTANCE PROVIDED BY THE GSH GROUP**

Shareholders of the Company and potential investors are also advised to read the announcement of GSH dated 31 March 2015 in relation to the provision by the GSH Group of certain financial assistance to the Group and a supplier to the Group.

#### **(1) PROVISION OF FINANCIAL ASSISTANCE BY THE GROUP TO A SUPPLIER**

During November 2010 to March 2015, certain members of the Group entered into the Supplier Guarantees for the benefit of the Supplier in respect of certain bank borrowings that are discloseable under the Listing Rules.

Details of the Supplier Guarantees are as follows:

<b>Date of guarantee</b>	<b>26/11/2010</b>	<b>15/12/2011</b>	<b>31/12/2012</b>	<b>5/3/2014</b>	<b>4/3/2015</b>
<b>Name of bank</b>	Bank A	Bank A	Bank A	Bank A	Bank A
<b>Guarantors</b>	All the Guarantors	All the Guarantors	Six of the Guarantors	Five of the Guarantors	Five of the Guarantors
<b>Guaranteed Amount</b>	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by the Supplier between 26/11/2010 to 26/11/2011 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by the Supplier between 15/12/2011 to 8/12/2012 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by the Supplier between 26/12/2012 to 13/12/2013 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by the Supplier between 1/1/2014 to 16/12/2014 and up to a maximum guaranteed amount of RMB2.5 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by the Supplier between 1/1/2015 to 16/4/2015 and up to a maximum guaranteed amount of RMB2.5 billion.
<b>Principal amount outstanding as of the date of this announcement</b>	Nil	Nil	Nil	RMB1.96 billion	RMB530 million
<b>Date of expiry of the guarantee</b>	Two years from 26/11/2011, i.e. 26/11/2013	Two years from 8/12/2012, i.e. 8/12/2014	Two years from 13/12/2013, i.e. 13/12/2015	Two years from 16/12/2014, i.e. 16/12/2016	Two years from 16/4/2015, i.e. 16/4/2017

The Supplier is beneficially majority-owned by the Labour Union, being the labour union of the PRC employees of the Group.

The principal business of the Supplier is the purchase of corn kernels from local farmers in Changchun and other areas of Jilin province and their resale to end users in the north-east provinces of the PRC. The Supplier is separately managed from the Group.

From the date of the first entering into of the Supplier Guarantees to the date of this announcement, none of the Directors nor their respective close associates held any interest in the Supplier (excluding interests held by any person who is or was a member of the Labour Union, because the interests of each of the more than 5,000 members of the Labour Union are identical and do not differ from member to member), and none of the Supplier nor its close associates held any interest in the Company. Two of the directors of the Supplier are also directors of certain PRC subsidiaries of the Company. They were appointed directors of the Supplier solely in their capacity as members of the Labour Union and their interests in the Labour Union do not differ from those of other members. Accordingly, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Supplier and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Bank A and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Bank A is a stock exchange listed State majority-owned joint stock company principally engaged in the provision of banking services.

The Guarantors did not receive any fee or commission for entering into the Supplier Guarantees.

### **Listing Rules implications**

As the applicable percentage ratios in respect of each of the Supplier Guarantees exceeded 25%, the Supplier Guarantees constituted a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under the Listing Rules.

In addition, as the provision of guarantee under the Supplier Guarantees constituted an advance to an entity under Rule 13.13 of the Listing Rules, and since the assets ratio of the guarantee provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the Supplier Guarantees in its interim reports and annual reports during the relevant periods when the Supplier Guarantees were in effect as disclosed in the table above.

As such, the failure by the Company to comply with the above requirements constituted non-compliance with Rules 13.13, 13.14, 13.20 and Chapters 14 of the Listing Rules.

## **Reason for entering into of the Supplier Guarantees**

The Supplier was first incorporated in 2003 and has for some years been the largest supplier of the Group. For the five years ended 31 December 2014, the Group (including the GSH Group) made purchases of approximately RMB2,976 million, RMB3,462 million, RMB2,955 million, RMB3,465 million and RMB1,226 million from the Supplier, respectively.

Based on inquiries made by the management of the Company, the first Supplier Guarantee was entered into in 2010 for the purposes of saving financing costs under a programme devised by the Company's PRC management.

As part of its function, the Supplier had to buy corn kernels from local farmers, store them and sell them to users or the local government as strategic reserves. Because the Group was a major customer, it had to utilise large cash resources and drawdown significant loan facilities to buy corn kernels from the Supplier regularly.

In response to requests by the Supplier to shorten credit periods in 2010, the Company's PRC management, who were expecting to incur additional financing costs if the credit periods were so shortened, sought to minimise such costs by offering the Supplier Guarantees to the Supplier's bank lenders.

Although the Supplier Guarantees, as third party security, were required under internal control procedures to be approved by the Board, the PRC management of the Company and the signatories of the Supplier Guarantees misunderstood the effect of the overall arrangements and the internal requirements. Consequently, the Supplier Guarantees were not reported under the internal control procedures, and were only discovered during the course of the preparation of the financial statements of the Company for the year ended 31 December 2014.

The Supplier has been requested by the Company and it has agreed not to make any further drawings under the credit facilities guaranteed by the Supplier Guarantees in excess of the principal amount currently drawn, namely, RMB2.49 billion.

The Group has also reached an agreement with the Labour Union that the Labour Union shall use its best endeavours to negotiate with Bank A for the release of the Supplier Guarantees in exchange for other forms of security to be provided by the Labour Union.

## **Financial impact to the Group**

For the reasons stated in the preliminary announcement of final results of the Group for the year ended 31 December 2014, the Directors believe that the Group will be able to continue to carry on business despite the Supplier Guarantees.

## **Remedial actions taken and to be taken**

In order to avoid recurrence of the incidents mentioned above and to ensure proper compliance with the Listing Rules in the future, the following remedial measures have been or will be taken by the Group:

- (1) with immediate effect, all loan, guarantee and security documents to which any member of the Group (excluding the GSH Group) is expressed as a party are required to be approved by the Board before they may be entered into and a notice regarding the approval procedure has been circulated to all relevant handling staff of the Group (including the legal representatives of all PRC subsidiaries) and a monthly checklist is required to be completed by the relevant handling staff to ensure compliance with the relevant procedures;
- (2) the management will ensure complete separation and independence of management in the PRC subsidiaries of the Company from that of the GSH Group. With immediate effect, the finance managers of all PRC subsidiaries of the Company will be under direct supervision of the Head of Finance of the Group in the PRC, who reports directly to the financial controller of the Company in Hong Kong. Financial chops will be under the custody of finance manager and approval should be sought from the Head of Finance of the Group in the PRC for usage of the chop;
- (3) the Company will appoint a firm of independent professionals to identify the weaknesses in its internal procedural control system that resulted in the Supplier Guarantees not having been brought to the attention of the Company and recommend on any corrective or enhancement procedures required;
- (4) the Company will make the disclosures in its interim and/or annual report as and to the extent required under Rule 13.20 of the Listing Rules in respect of the Supplier Guarantees;
- (5) training will be provided to the relevant handling staff including the financial controller of the Group in the PRC in relation to the requirement under the Listing Rules concerning provision of financial assistance;
- (6) disciplinary actions against those involved in the breaches of procedures; and
- (7) the Company will seek legal advice from time to time as and when necessary.

## **(2) POSSIBLE DISPOSAL OF LANDS AND BUILDINGS BY THE GROUP**

The Group (including the GSH Group) are owners of the Subject Tract, which is located on the east side of Xihuancheng Road, Lu Yuan District, Changchun, PRC with a total site area of some 1,071,000 sq. m. and buildings erected thereon with total gross floor area of about 448,000 sq.m.. The lands (with the buildings thereon) on the Subject Tract are owned by different members of the Group.

The owners of the Subject Tract are in advance negotiations with Changchun Land Reserve Centre for a resumption of the Subject Tract. A preliminary valuation of the Subject Tract indicates that it has a valuation of some RMB2 billion. Based on the book values attributable to the lands and buildings comprised in the Subject Tract as at 31 December 2014, a resumption of land will constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. If these transactions proceed, further announcement(s) will be made by the Company. It should however be noted that there is no binding agreement for a resumption of the all or any part of the Subject Tract, or when such agreement may be entered into, or the amount of compensation payable.

## **(3) SUSPENSION AND RELOCATION OF PRODUCTION OPERATIONS OF THE GSH GROUP AT LU YUAN DISTRICT, CHANGCHUN**

Shareholders of the Company and potential investors are also advised to read the announcement of GSH dated 31 March 2015 in relation to the suspension and relocation of production operations of the GSH Group at Lu Yuan District, Changchun, the PRC.

## **(4) THIRD PARTY FINANCIAL ASSISTANCE PROVIDED BY THE GSH GROUP**

Shareholders of the Company and potential investors are also advised to read the announcement of GSH dated 31 March 2015 in relation to the provisions by the GSH Group of certain financial assistance to the Group and a supplier to the Group.

## **DEFINITIONS**

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“associates”	have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Changchun Baocheng”	長春寶成生化發展有限公司(Changchun Baocheng Bio-chem Development Co., Ltd.), a sino-foreign enterprise established in the PRC and an indirect wholly owned subsidiary of the Company



“Changchun Dacheng Bio-tech”	長春大成生物科技開發有限公司 (Changchun Dacheng Bio-tech Development Co., Ltd.), a sino-foreign enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Changchun Dacheng Corn”	長春大成玉米開發有限公司 (Changchun Dacheng Corn Development Co., Ltd.), a sino-foreign enterprise established in the PRC and a then indirect wholly owned subsidiary of the Company
“Changchun Dahe”	長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Changchun Dihao”	長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of GSH and an indirect non-wholly owned subsidiary of the Company
“Changchun GBT”	長春金寶特生物化工有限公司 (Changchun GBT Bio-Chemical Co., Ltd.), a sino-foreign enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Changchun Jincheng”	長春金成玉米開發有限公司 (Changchun Jincheng Corn Development Co., Ltd.), a sino-foreign enterprise established in the PRC, which was an indirect wholly owned subsidiary of the Company before 17 November 2011 and an indirect wholly owned subsidiary of GSH after 17 November 2011
“close associates”	shall have the same meaning as ascribed to it under the Listing Rules
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the Stock Exchange
“Dacheng Fermentation”	長春大成發酵技術發展有限公司 (Changchun Dacheng Fermentation Technology Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a then indirect wholly owned subsidiary of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries, including the GSH Group



“GSH”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the Stock Exchange and an indirect non-wholly owned subsidiary of the Company
“GSH Group”	GSH and its subsidiaries
“Guarantors”	the Company, Changchun GBT, Changchun Baocheng, Changchun Dacheng Bio-tech, Changchun Dahe, Changchun Dacheng Corn, Dacheng Fermentation, Yucheng Sweeteners, Changchun Dihao and Changchun Jincheng or any of them
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person or an entity which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, that it and its ultimate beneficial owners (in the case of an entity) are third parties independent of the Company and its connected persons
“Labour Union”	the labour union of the PRC employees of the Group
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency in the PRC
“sq. m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Tract”	certain pieces of land located on the east side of Xihuancheng Road, Lu Yuan District, Changchun, PRC
“Supplier”	長春大金倉玉米收儲有限公司(Changchun Dajincang Corn Procurement Co., Ltd.), a sino-foreign enterprise established in the PRC which is beneficially owned by the Labour Union as to approximately 88.46% and an Independent Third Party as to approximately 11.54%

“Supplier Guarantees”	the various guarantees executed between November 2010 to March 2015 by the Guarantors for the benefit of the Supplier
“Yucheng Sweeteners”	長春玉成澱粉糖有限公司 (Changchun Yucheng Sweeteners Co., Ltd.), a wholly foreign owned enterprise and a then indirect wholly owned subsidiary of the Company

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

Hong Kong, 31 March 2015

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Li Weigang, Mr. Wang Yongan and Mr. Ji Jianping and two independent non-executive Directors, namely Mr. Chan Chi Wai, Benny and Mr. Ng Kwok Pong.*