

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

23 September 2016

This disciplinary action highlights the importance of giving proper regard to the Company's internal controls procedures when contemplating, and before entering into, transactions. The failure to follow the Company's internal controls procedures could lead to non-compliance with the disclosure and shareholder approval requirements under the Exchange Listing Rules and expose the Company to substantial financial risk.

Directors have personally undertaken to use their best endeavours to procure the Company's compliance with the Exchange Listing Rules and accordingly, they should ensure that the Company has sound and effective systems in place to support and achieve Exchange Listing Rules compliance. The Listing Committee takes a very serious view of those directors who fail in this respect.

The Listing Committee of The Stock Exchange of Hong Kong Limited (the "Listing Committee")

CENSURES Global Bio-chem Technology Group Company Limited ("Company") (Stock Code: 809) for

- (1) (a) its failure to disclose the Supplier Guarantees in the interim and/or the annual reports for the respective periods in 2010, 2011, 2012, 2013 and 2014 in breach of Rules 13.13, 13.14 and 13.20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Exchange Listing Rules"); and
- (b) in relation to a major transaction, its failure to announce, issue a circular and seek independent shareholders' approval for the Supplier Guarantees in breach of Rules 14.34, 14.38A, 14.40 and 14.41 of the Exchange Listing Rules;

CENSURES former executive directors

- (2) **Ms Wang Guifeng** ("Ms Wang"), resigned effective 30 December 2013;
- (3) **Mr Zhang Fusheng** ("Mr Zhang"), resigned effective 2 April 2012; and

AND FURTHER CRITICISES former executive directors

- (4) **Mr Liu Xiaoming** ("Mr Liu"), resigned effective 15 October 2015; and

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(5) **Ms Xu Ziyi** (“Ms Xu”), resigned effective 15 October 2015,

for failing to use their best endeavours to procure the Company’s compliance with the Exchange Listing Rules under the Director’s Declaration and Undertaking given to The Stock Exchange of Hong Kong Limited (“Exchange”) in the form set out in Form B of Appendix 5 to the Exchange Listing Rules (“Undertaking”).

Ms Wang, Mr Zhang, Mr Liu and Ms Xu are together referred to as the “Relevant Directors”.

On 23 August 2016, the Listing Committee conducted a hearing into the conduct of the Company and the Relevant Directors in relation to their obligations under the Exchange Listing Rules and the Undertakings.

FACTS

The Group is engaged in the business of manufacturing and sale of corn refined products, corn based sweetener products and corn based biochemical products.

In or around November 2010, the Company and 9 of its subsidiaries each granted a guarantee in favour of Bank of China (“BOC”) for the benefit of a long term supplier (“Supplier Guarantees”) for a maximum guaranteed amount of RMB3 billion. The supplier is beneficially owned by the labour union of the PRC employees of the Company and its subsidiaries (“Group”). The Supplier Guarantees were renewed for the years 2011 and 2012.

In 2014 and 2015, the Supplier Guarantees were further renewed with 5 subsidiaries of the Company for maximum guaranteed amounts of RMB2.5 billion each year.

The Supplier Guarantees constituted: (1) major transactions under Rule 14.06 (applicable percentage ratios either alone or aggregated exceeding 25 per cent); and (2) advances to an entity under Rule 3.13 (assets ratio over 8 per cent), thereby subject to reporting, announcement and independent shareholders’ approval.

The Company did not issue any announcement, circular or seek independent shareholders’ approval for each of the Supplier Guarantees at the material time. Further, no disclosures concerning the Supplier Guarantees were made in the annual reports for the years ended 2010, 2011, 2012, 2013 or 2014; or the interim reports for the period ended 30 June 2012, 2013 or 2014. The Supplier Guarantees were not announced until 31 March 2015 (“Announcement”).

By the Announcement, the Company admitted its breaches of Rules 13.13, 13.14, 13.20, 14.34, 14.38A, 14.40 and 14.41.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee, having considered the submissions of the Department, the Company, the Relevant Directors and the admissions of the Company, concluded as follows:

Company

The Company breached:

- (1) Rules 13.13, 13.14, 13.20 for its failure to disclose the Supplier Guarantees in the annual reports for the years ended 2010, 2011, 2012, 2013 and 2014; and the interim reports for the period ended 30 June 2011, 2012, 2013 and 2014; and
- (2) Rules 14.34, 14.38A, 14.40 and 14.41 for its failure to comply with the announcement, circular and independent shareholders' approval requirements in respect of the Supplier Guarantees, each being a major transaction.

Relevant Directors

The Listing Committee also found that the Relevant Directors breached their respective Undertakings to procure the Company's compliance with the Exchange Listing Rules:

- (1) By reason of the individual and collective failure of Ms Wang and Mr Zhang to: (i) exercise independent judgment on matters relating to the Company and simply relying on others to raise issues or concerns about Exchange Listing Rules compliance; and (ii) consider Exchange Listing Rules implications arising from the granting of the Supplier Guarantees by the Company and its subsidiaries at the time of inception, which contributed to the breach of the Exchange Listing Rules by the Company; and
- (2) By reason of the individual and collective failure of Mr Liu and Ms Xu: (i) to take steps to make adequate enquiries to ensure that the previous Supplier Guarantees complied with Exchange Listing Rules obligations, (ii) to consider whether the renewal of the Supplier Guarantee complied with or needed to comply with any ongoing or continuing Exchange Listing Rules obligations; and (iii) to prevent the Company from committing further breaches of the Exchange Listing Rules.

REGULATORY CONCERN

The Listing Committee regards the breaches in this matter serious:

- (1) The principles behind the Exchange Listing Rules are to maintain confidence in the market; to ensure investors are given sufficient information to make a properly informed assessment of the issuer; and investors and the public are kept fully informed of material factors which might affect their interests.
- (2) The Company's breach of disclosure obligations, announcement and shareholders' approval requirements deprived investors and shareholders of the Company of their timely receipt of information in relation to its exposure to third parties in respect of the Supplier Guarantees, and to vote on it, as they were entitled to under the Exchange Listing Rules. As a consequence, the rights and interests of the shareholders of the Company have been prejudiced.
- (3) The Supplier Guarantees constituted a major transaction of the Company. Given the nature of the supplier guarantees (securing the liability of a third party) and the significant resulting financial risk exposure, they should have been properly considered and approved by the full Board with due consideration given to the risks involved and to Exchange Listing Rules compliance.
- (4) There was no proper risk assessment carried out in respect of Supplier Guarantees. The amounts guaranteed were significant. The Company was exposed to substantial financial risk if the Supplier had defaulted on the facilities granted to it by BOC. Notwithstanding the fact that when the Supplier Guarantees were first entered into, the Company's financial position was stronger than present, the continuation of the Supplier Guarantees have exposed, and continues to expose, the Company to a seriously high level of financial risk, particularly in currently challenging financial circumstances.
- (5) Further, it appears that no training or guidance materials on Exchange Listing Rules compliance have been given or provided to the staff, senior management and/or directors of the Company's subsidiaries. Lack of training and guidance to relevant staff exposes the Company to a serious risk of unauthorized transactions and non-compliance with the requirements of the Exchange Listing Rules. The Relevant Directors' failure to consider the approval procedures under the Company's internal controls procedures suggests an indifferent attitude towards giving proper regard to the corporate governance of the Company and its approval procedures and raises serious concerns as to their commitment to their Undertakings to use their best endeavours to procure that the Company complies with the Exchange Listing Rules.

SANCTIONS

Having made the findings of breach stated above, and having concluded that the breaches are serious, the Listing Committee is highly critical of and decides to:

- (1) Censure the Company for its breach of Rules 13.13, 13.14, 13.20, 14.34, 14.38A, 14.40 and 14.41;
- (2) Censure Ms Wang and Mr Zhang for breach of their respective Undertakings to procure the Company's compliance with the Exchange Listing Rules; and
- (3) Criticise Mr Liu and Ms Xu for breach of their respective Undertakings to procure the Company's compliance with the Exchange Listing Rules.

The Listing Committee acknowledged the level of cooperation received from the Company and the Relevant Directors during the Department's investigation and the remedial measures taken by the Company.

For the avoidance of doubt, the Exchange confirms that the above sanctions apply only to the Company (as it was managed by its then directors) and the Relevant Directors and not to any other past or present members of the Board of directors of the Company.