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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)

DISCLOSEABLE TRANSACTION

CONSTRUCTION AGREEMENT IN RELATION TO CONSTRUCTION OF PRODUCTION PLANT FOR PRODUCTION OF METHANOL

The Board announces that on 10 March 2017, Dacheng Bio-tech entered into the Construction Agreement with the Contractor in relation to the construction of the Production Plant for the production of methanol in Xinglongshan, Changchun.

As the applicable percentage ratio in respect of the Construction Agreement is more than 5% but less than 25%, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

THE CONSTRUCTION AGREEMENT DATED 10 MARCH 2017

Parties

- (i) Dacheng Bio-tech; and
- (ii) The Contractor

The Directors confirmed that, to the best of their knowledge, information and belief, having made all reasonable enquiry, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons.

* *for identification purpose only*

Construction of the Production Plant

Pursuant the Construction Agreement, Dacheng Bio-tech has agreed to appoint the Contractor as the main contractor for the Construction which shall commence from March 2017 and complete in July 2018 according to the construction progress plan agreed between the parties. The Production Plant shall have an annual production capacity of 165,000 tonnes of methanol upon completion of the Construction.

Consideration

The aggregate sum of Consideration payable by Dacheng Bio-tech for the Construction shall be approximately RMB243.89 million (equivalent to approximately HK\$270.99 million) unless adjusted by the parties in the occurrence of events such as change of design of the Production Plant and/or delay in the Construction.

The Consideration shall be payable to the Contractor by Dacheng Bio-tech in cash in the following manner:

- (i) RMB12.20 million (equivalent to approximately HK\$13.56 million), being approximately 5% of the Consideration, shall be payable upon signing of the Construction Agreement as prepayment, which shall be used to deduct against part of the payment in sub-paragraph (ii) below;
- (ii) an aggregate amount of RMB121.95 million (equivalent to approximately HK\$135.49 million), being 50% of the Consideration, shall be payable by instalments according to the progress of the construction as confirmed by the parties on a quarterly basis;
- (iii) approximately RMB85.36 million (equivalent to approximately HK\$94.85 million), being 35% of the Consideration, shall be payable within 28 days upon acceptance of the completion of the construction of the machineries;
- (iv) approximately RMB24.39 million (equivalent to approximately HK\$27.10 million), being 10% of the Consideration, shall be payable within 28 days upon passing of the performance test of the Production Plant; and
- (v) approximately RMB12.19 million (equivalent to approximately HK\$13.55 million), being 5% of the Consideration, shall be payable within 14 days upon the issue of the acceptance certificate of the Construction by Dacheng Bio-tech.

The Consideration was determined based on arm's length negotiation between the parties with reference to the proposed design, standard and scale of the Construction.

Guarantee and Warranty Period by the Contractor

In order to secure the due performance by the Contractor of its obligations under the Construction Agreement, the Contractor shall deliver a bank guarantee letter in the amount equivalent to 5% of the Consideration within seven days upon the signing of the Construction Agreement, which bank guarantee letter shall be valid until the date of completion of the construction of the machineries.

At the same time of the payment of the Consideration in sub-paragraph (v) in the paragraph headed “Consideration” above, the Contractor shall deliver another bank guarantee letter in the same amount of the Warranty Fund which shall be valid until the end of the Warranty Period, during which Dacheng Bio-tech shall be entitled to claim against the Contractor if the quality of the Construction does not meet with the standard prescribed in the Construction Agreement.

INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacturing and sale of corn refined products and corn-based biochemical products.

The Contractor is a limited company in the PRC principally engaged in engineering and construction.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

The Directors consider that the entering into of the Construction Agreement and establishing the Production Plant are beneficial to the Group as the Production Plant could (i) fully utilise the hydrogen production facilities which is currently under-utilised; (ii) diversify the Group’s product range and tap into new markets; (iii) provide additional source of revenue for the Group and (iv) lower the unit cost of production of the Xinglongshan site.

The Board believes that the terms of the Construction Agreement are fair and reasonable and are in the interests of the Group and Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratio in respect of the Construction Agreement is more than 5% but less than 25%, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Consideration”	approximately RMB243.89 million (equivalent to approximately HK\$270.99 million), being the construction fee for the Construction, unless adjusted by the parties in the occurrence of events such as change of design of the Production Plant and/or delay in the Construction
“Construction”	the construction of the Production Plant
“Construction Agreement”	the construction agreement entered into between Dacheng Bio-tech and the Contractor on 10 March 2017 in respect of the Construction and the ancillary documents pursuant to the Construction Agreement
“Contractor”	東華工程科技股份有限公司 (Donghua Engineering Technology Co., Ltd.*)
“Dacheng Bio-tech”	長春大成生物科技開發有限公司 (Changchun Dacheng Bio-tech Development Co., Ltd.), an indirect wholly owned subsidiary of the Company established in the PRC
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Production Plant”	an integrated production plant for production of methanol in Xinglongshan, Changchun

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warranty Fund”	approximately RMB12.19 million (equivalent to approximately HK\$13.55 million), being 5% of the Consideration
“Warranty Period”	a period of 12 months from the completion of the construction of the machineries in the Production Plant and acceptance by Dacheng Bio-tech upon inspection thereof, and shall be extended to a maximum period of 30 months if such defect renders the Production Plant or major production equipment failing to function at its designed purpose, during which Dacheng Bio-tech shall be entitled to claim against the Contractor if the quality of the Construction does not meet with the standard prescribed in the Construction Agreement
“%”	per cent.

* *the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

For the purpose of this announcement, the exchange rate of HK\$1.00=RMB0.90 has been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

By order of the Board
Global Bio-chem Technology Group Company Limited
Lee Chi Yung
Company Secretary

Hong Kong, 10 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely, Ms. Wang Qiu, Mr. Wang Jian and Mr. Li Shuguang; two non-executive Directors, namely, Mr. Qiu Zhuang and Mr. Xing Lizhu; and three independent non-executive Directors, namely, Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.