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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)

CONTINUING CONNECTED TRANSACTIONS

MASTER SUPPLY AGREEMENT FOR THE PROCUREMENT OF CORN KERNELS

On 15 May 2017, the Company entered into the Master Supply Agreement with Jiliang in relation to the supply of corn kernels by Jiliang to members of the Group on an ongoing basis.

As at the date of this announcement, Nongtou is interested in 49% of the entire issued share capital of the Company through its control in Jilin Province Modern Agricultural Industry Investment Fund, which indirectly holds the entire issued share capital of Modern Agricultural. As such, Nongtou is a connected person of the Company. As Jiliang is indirectly wholly owned by Nongtou, Jiliang is an associate of Nongtou and therefore is also a connected person of the Company. Accordingly, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the annual caps under the Master Supply Agreement for each of the three years ending 31 December 2019 are expected to represent more than 5% of each of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10 million each, the continuing connected transactions under the Master Supply Agreement and the annual caps therefore are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve the Transaction.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Transaction are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An IFA will be appointed by the Company to advise the IBC and the Independent Shareholders in this regard.

A circular including, among other information, (i) a letter from the Board containing further information on the Transaction; (ii) a letter from an IFA containing its advice in connection with the aforesaid; (iii) recommendations of the IBC to the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 6 June 2017.

MASTER SUPPLY AGREEMENT

Date: 15 May 2017

Parties: (1) the Company as purchaser
(2) Jiliang as supplier

Pursuant to the Master Supply Agreement, the Company appointed Jiliang as one of its suppliers for corn kernels and Jiliang agrees to supply corn kernels to members of the Group. The Master Supply Agreement shall become effective from the Effective Date and expiring on 31 December 2019 with the right of either party to effect an earlier termination by giving to the other not less than three months' written notice.

Pursuant to the Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with Jiliang from time to time during the term of the Master Supply Agreement for the purposes of confirming the purchase of corn kernels by the relevant members of the Group. Such purchase orders or sales contracts shall specify the detailed terms of such purchase, including form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that such separate purchase orders or sales contracts shall be for a fixed term and in any event not exceeding the term of the Master Supply Agreement, payment must only be made after receipt of corn kernels, and at pricing terms and otherwise on terms in compliance with those set out in the Master Supply Agreement.

Pricing and other terms

Under the Master Supply Agreement, Jiliang shall supply corn kernels to the Group at market rates charged by Jiliang to independent third parties for the sale of corn kernels of the same or similar type and such price shall not be higher than the highest price of the prices below:

- (1) the average unit transaction price at the latest corn directional bidder auction from national temporary storage in Liaoning Province, Jilin Province and Heilongjiang Province as announced on the official website of National Grain Trade Centre of the PRC (www.grainmarket.com.cn) within 15 days before the proposed date of the making of purchase order by any member of the Group;
- (2) the average unit corn transaction price published on the official website of Dalian Commodity Exchange (www.dce.com.cn) of the latest trade matching day before the proposed date of the making of purchase order by any member of the Group; and

- (3) the latest corn price in the relevant cities in Liaoning Province, Jilin Province and Heilongjiang Province obtained from China Corn Network (www.yumi.com.cn), an independent third party price consulting platform.

The Directors (excluding the independent non-executive Directors) consider that as the price of the corn kernels to be charged by Jiliang under the Master Supply Agreement shall be determined with reference to the latest market prices at auctions, commodity prices quoted on an exchange and prices quoted from independent price consulting platform which are all public information and are up-to-date, such pricing term can ensure that the price of the corn kernels will be set at market rates from time to time and the Transaction will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

ANNUAL CAPS

The Company expects that the annual caps in respect of the transactions contemplated under the Master Supply Agreement will be HK\$1.40 billion, HK\$1.68 billion and HK\$2.09 billion for each of the three years ending 31 December 2019, respectively.

The above annual caps have been determined by reference to the estimated demand of the Group for corn kernels as contemplated to be purchased under the Master Supply Agreement, taking into account the business growth of the Group, the historical and current price of corn kernels in Changchun.

The Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the IFA, be set out in the letter from the IBC in the circular to be despatched to the Shareholders) are of the opinion that the proposed annual caps as stated above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND JILIANG

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

Jiliang is principally engaged in the distribution, storage and processing of grains and oil, the distribution of fertilizers, seeds and agricultural by-products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

Corn kernels are the major raw materials of the Group's product. Taking the advantage of its proximity to corn-producing region, the Group has been purchasing corn kernels directly from farmers whereby no credit period is given by the farmers. As Jiliang is indirectly wholly owned by Nongtou, which is ultimately controlled by 吉林省人民政府國有資產監督管理委員會 (State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province), given its state-owned background and the relationship with the Group, Jiliang is able to offer credit period to the Group. In addition, as Jiliang is one of the largest corn kernels suppliers in Jilin

Province, by entering into the Master Supply Agreement, the Group will have alternative to source its required quantity of corn kernels apart from purchasing directly from farmers, especially during the months in non-harvest season (i.e., April to September) when corn kernel supply is tight in the market.

The Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the IFA, be set out in the letter from the IBC in the circular to be despatched to the Shareholders) are of the view that the terms of the Master Supply Agreement are fair and reasonable, on normal commercial terms which are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Nongtou is interested in 49% of the entire issued share capital of the Company through its control in Jilin Province Modern Agricultural Industry Investment Fund, which indirectly holds the entire issued share capital of Modern Agricultural. As such, Nongtou is a connected person of the Company. As Jiliang is indirectly wholly owned by Nongtou, Jiliang is an associate of Nongtou and therefore is also a connected person of the Company. Accordingly, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the annual caps under the Master Supply Agreement for each of the three years ending 31 December 2019 are expected to represent more than 5% of each of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10 million each, the continuing connected transactions under the Master Supply Agreement and the annual caps therefor are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve the Transaction.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Transaction are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An IFA will be appointed by the Company to advise the IBC and the Independent Shareholders in this regard.

A circular including, among other information, (i) a letter from the Board containing further information on the Transaction; (ii) a letter from an independent financial adviser containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 6 June 2017.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“associate(s)”	have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Effective Date”	the date on which the Master Supply Agreement shall become effective, i.e. the date upon the obtaining of the Independent Shareholders’ approval at the EGM
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Transaction
“Group”	the Company and its subsidiaries from time to time
“IBC”	the independent board committee of the Board comprising Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Transaction
“IFA”	the independent financial adviser to be appointed by the Board and approved by the IBC for the purpose of advising the IBC and the Independent Shareholders in relation to the Transaction
“Independent Shareholders”	Shareholders other than Modern Agricultural and its associates
“Jiliang”	吉林吉粮资产供应链管理有限公司(Jilin Jiliang Assets Supply Chain Management Co., Ltd.), a company established in the PRC which is indirectly wholly owned by Nongtou
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Supply Agreement”	the agreement dated 15 May 2017 and entered into between the Company (for itself and on behalf of the Group) and Jiliang in relation to the supply of corn kernels by Jiliang to members of the Group
“Modern Agricultural”	Modern Agricultural Industry Investment Limited, a company incorporated in the British Virgin Islands which is the controlling shareholder of the Company holding 49% of the entire issued share capital of the Company as at the date of this announcement
“Nongtou”	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.), a company established in the PRC which is controlled by 吉林省人民政府國有資產監督管理委員會 (State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin Province)
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the continuing connected transactions contemplated under the Master Supply Agreement and the related annual caps
“%”	per cent.

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

Hong Kong, 15 May 2017

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yuan Weisen and Mr. Zhang Zihua; and three independent non-executive Directors, namely, Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.

** for identification purpose only*