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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

2023 MASTER SUPPLY AGREEMENT FOR THE PROCUREMENT OF CORN KERNELS

2023 MASTER SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 27 November 2020 and the circular of the Company dated 21 December 2020, in relation to, among others, the Existing Master Supply Agreement entered into between the Company and Nongtou Subsidiaries in relation to the supply of corn kernels by the Nongtou Subsidiaries Group to the Group.

On 1 November 2023, the Company and Nongtou entered into the 2023 Master Supply Agreement in relation to the supply of corn kernels by the Nongtou Group to the Group on an ongoing basis for a fixed period of three years ending on 31 December 2026.

Upon the 2023 Master Supply Agreement Effective Date, the Existing Master Supply Agreement shall be terminated contemporaneously.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Nongtou is interested in approximately 35.2% of the entire issued share capital of the Company through its control in 吉林省現代農業產業投資基金 (有限合夥) (Jilin Province Modern Agricultural Industry Investment Fund (LLP)*), which indirectly holds the entire issued share capital of Modern Agricultural. As such, Nongtou is a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the proposed annual caps under the 2023 Master Supply Agreement for the three years ending 31 December 2026 is more than 5% and the consideration exceeds HK\$10 million each, the continuing connected transactions under the 2023 Master Supply Agreement and the proposed 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 continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps are on normal commercial terms and in the ordinary and usual course of business of the Group, 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 continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps; (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 30 November 2023 as additional time is required to prepare and finalise the information to be included in the circular.

2023 MASTER SUPPLY AGREEMENT

Date: 1 November 2023

Parties: (1) the Company (for itself and on behalf of its subsidiaries from time to time) as purchaser
(2) Nongtou (for itself and on behalf of its subsidiaries from time to time) as supplier

Pursuant to the 2023 Master Supply Agreement, the Company appointed the Nongtou Group as one of its suppliers for corn kernels and the Nongtou Group agrees to supply corn kernels to the Group. The 2023 Master Supply Agreement shall become effective from the 2023 Master Supply Agreement Effective Date and expiring on 31 December 2026 with the right of either party to effect an earlier termination by giving to the other party not less than three months' written notice.

Pursuant to the 2023 Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with members of the Nongtou Group from time to time during the term of the 2023 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 but not limited to 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 2023 Master Supply Agreement, at pricing terms and otherwise on terms in compliance with those set out in the 2023 Master Supply Agreement.

Upon the 2023 Master Supply Agreement Effective Date, the Existing Master Supply Agreement shall be terminated contemporaneously.

Pricing and other terms

Under the 2023 Master Supply Agreement, the Nongtou Group shall supply corn kernels to the Group at market rates and price and shall not be higher than any of the prices below (price exclusive of transportation and storage, insurance cost, interest and/or other handling charges):

- (1) 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 placing of purchase order by any member of the Group; and
- (2) the highest corn price in each of Liaoning Province, Jilin Province and Heilongjiang Province (whichever is applicable) obtained from China Corn Network (www.yumi.com.cn), an independent third party price consulting platform, on the date immediately before the proposed date of the placing of purchase order by any member of the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the IFA) are of the view that as the price of the corn kernels to be charged by the Nongtou Group under the 2023 Master Supply Agreement are to be determined with reference to the commodity prices quoted on an official commodity exchange website and prices quoted from independent price consulting platform, all of which are 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.

PROPOSED ANNUAL CAPS

The proposed annual caps in respect of the transactions contemplated under the 2023 Master Supply Agreement will be HK\$1,591,000,000, HK\$2,045,000,000 and HK\$2,045,000,000 for each of the three years ending 31 December 2026, respectively.

The above proposed annual caps have been determined with reference to (i) the estimated demand of the Group for corn kernels taking into account the expected resumption of the Group's production facilities; (ii) the historical and current price trend of corn kernels; and (iii) the historical transactions between the Nongtou Group and the Group in relation to the supply of corn kernels by the Nongtou Group to the Group.

Since the resumption of operation of the production facilities of 長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.*) (“**Changchun Dahe**”), a wholly-owned subsidiary of the Company, in mid-December 2022, the total quantity of corn kernels purchased by the Group for the nine months ended 30 September 2023 were approximately 226,000 MT (amounted to approximately HK\$648,000,000), no corn kernels purchased by the Group for the nine months ended 30 September 2022, during which most of the Group's production facilities remained under temporary suspension. Among the 226,000 MT corn kernels purchased by the Group for the nine months ended 30 September 2023, approximately 91,000 MT (amounted to approximately HK\$283,000,000) were purchased from the Nongtou Subsidiaries Group under the Existing Master Supply Agreement, which became effective on 15 January 2021. The outlook on the amino acids segment of the Group is expected to improve gradually in the last quarter of 2023 after the prolonged pandemic, the Group's production and sales volumes have been gradually recovering and the demand of corn kernels has been increasing accordingly. In addition, the Group expects to increase in the procurement of the corn kernels once the production facilities in the Xinglongshan site resume operation in 2024, subject to the market condition of upstream products and financial resources of the Group.

The Company expects that the quantity of corn kernels to be purchased by the Group for the three years ending 31 December 2026 shall be approximately 700,000 MT (amounting to approximately HK\$1,989,000,000), 900,000 MT (amounting to approximately HK\$2,557,000,000) and 900,000 MT (amounting to approximately HK\$2,557,000,000), based on the recent market prices of corn kernels and with reference to the Group's expected demand for corn kernels upon operation resumption of the production facilities in the Xinglongshan site and the market demand of the products of the Group under the Group's respective product lines in the coming years.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the IFA) are of the opinion that the proposed annual caps for the continuing connected transactions contemplated under the 2023 Master Supply Agreement for each of the three years ended 31 December 2026 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 MASTER SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 29 December 2022 in relation to the resumption of operation of the production facilities of Changchun Dahe since mid-December 2022. Since then, the Group's production and sales volumes have been gradually recovering and the demand of corn kernels has been increasing accordingly. Prior to the Group's temporary suspension of all upstream operations since the first quarter of 2020, the Nongtou Group had been providing a stable supply of quality corn kernels to the Group under the previous master supply agreements entered into between the Company and Nongtou or the Nongtou Subsidiaries. With the Nongtou Group being one of the largest corn kernels suppliers in Jilin Province and as the Group gradually resumes the operation of its production facilities, the Group would like to take advantage of the strong and stable relationship between the Nongtou Group and the Group all these years under the previous master supply agreements, by entering into the 2023 Master Supply Agreement to secure a stable supply of quality corn kernels. The management of the Group considers the supply of corn kernels by the Nongtou Group to be beneficial to the Group as the Nongtou Group has always been able to arrange its source of corn kernels internally so as to offer corn kernels to the Group at a more competitive terms, including better credit terms, as compared to direct purchase from local farmers which offers no credit period at all, thus alleviating the pressure on the Group's financial liquidity.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the IFA) are of the view that the terms and conditions of the 2023 Master Supply Agreement and the continuing connected transactions contemplated thereunder 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.

As Mr. Yang Jian, an executive Director, is also a director and the general manager of Nongtou, he has abstained from voting in respect of the relevant Board resolutions approving, among others, the transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps. Save as disclosed, none of the Directors has a material interest in the 2023 Master Supply Agreement and therefore had to abstain from voting on the relevant Board resolutions.

INTERNAL CONTROL MEASURES

In order to ensure that the transactions contemplated under the 2023 Master Supply Agreement are consistent with the pricing policy as set out under the paragraph headed “2023 MASTER SUPPLY AGREEMENT – Pricing and other terms” above in this announcement, and that price of each individual transaction under the 2023 Master Supply Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders, the Group has adopted the following internal control measures:

- (i) the procurement department of the Group will obtain prevailing market price of corn kernels from two public sources to ensure the purchase price of corn kernels from the Nongtou Group are on normal commercial terms and no less favorable to the Group;
- (ii) the Directors shall monitor the continuing connected transactions contemplated under the 2023 Master Supply Agreement from time to time to ensure that price of corn kernels supplied by the Nongtou Group to the Group adhere to the pricing mechanism under the 2023 Master Supply Agreement strictly, and that information in relation to the price of corn kernels of the same or similar type in each individual transaction have been accurately attained from each sources, prior to determining the final price of the corn kernels for each transaction;
- (iii) the independent non-executive Directors will conduct monthly review of the actual execution of the continuing connected transactions of the Group (including those transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps) and provide annual confirmations that the relevant transactions that have been entered into are in the ordinary and usual course of business of the Group, on normal commercial terms or better and in accordance with the relevant agreement, the terms of which are fair and reasonable and in the interest of the Shareholders as a whole; and
- (iv) the Company’s external auditors will also conduct an annual review of the continuing connected transactions of the Group (including those transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps) to confirm the relevant transactions are in accordance with the pricing policies of the Group and the relevant agreements, and have not exceeded the relevant annual caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Nongtou is interested in approximately 35.2% of the entire issued share capital of the Company through its control in 吉林省現代農業產業投資基金 (有限合夥) (Jilin Province Modern Agricultural Industry Investment Fund (LLP)*), which indirectly holds the entire issued share capital of Modern Agricultural. As such, Nongtou is a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the proposed annual caps under the 2023 Master Supply Agreement for each of the three years ending 31 December 2026 is more than 5% and the consideration exceeds HK\$10 million each, the continuing connected transactions under the 2023 Master Supply Agreement and the proposed annual caps therefore are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE GROUP AND NONGTOU

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

Nongtou is principally engaged in the investment in agriculture, sale and purchase of grain, distribution of agricultural products and provision of agricultural science and technology services. As at the date of this announcement, Nongtou is owned as to 90.0% by Jilin SASAC and as to 10.0% by Jilin DOF. Both Jilin SASAC and Jilin DOF are PRC Governmental Bodies.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve the continuing connected transactions under the 2023 Master Supply Agreement and the proposed annual caps.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps are on normal commercial terms and in the ordinary and usual course of business of the Group, 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 continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps; (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 30 November 2023 as additional time is required to prepare and finalise the information to be included in the circular.

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 (Stock Code: 00809)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps
“Existing Master Supply Agreement”	the agreement dated 27 November 2020 and entered into between the Company (for itself and on behalf of the Group) and Nongtou Subsidiaries (for themselves and on behalf of their respective subsidiaries from time to time) in relation to the supply of corn kernels by the Nongtou Subsidiaries Group to the Group
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“IBC”	the independent board committee of the Board comprising Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps
“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 continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps
“Independent Shareholders”	Shareholders other than Modern Agricultural and its associates, and all other Shareholders interested in the 2023 Master Supply Agreement and the continuing connected transactions contemplated thereunder
“Jilin DOF”	Jilin Province Department of Finance, a PRC Governmental Body holding 10.0% interests in Nongtou
“Jilin SASAC”	吉林省人民政府國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of Jinlin Provincial People’s Government), a PRC Governmental Body holding 90.0% interests in Nongtou
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern Agricultural”	Modern Agricultural Industry Investment Limited, a company incorporated in the British Virgin Islands which is the controlling shareholder of the Company holding approximately 35.2% of the entire issued share capital of the Company as at the date of this announcement
“MT”	metric tonnes
“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 owned as to 90.0% by Jilin SASAC and as to 10.0% by Jilin DOF
“Nongtou Group”	Nongtou and its subsidiaries from time to time

“Nongtou Subsidiaries”	(i) 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd.*); and (ii) 吉林農投糧食集團有限公司 (Jilin Nongtou Grain Group Co., Ltd.*), companies established in the PRC and directly wholly-owned by Nongtou
“Nongtou Subsidiaries Group”	Nongtou Subsidiaries and their respective subsidiaries from time to time
“PRC”	the People’s Republic of China
“PRC Governmental Body/ (ies)”	has the meaning ascribed to it under the Listing Rules
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2023 Master Supply Agreement”	the agreement dated 1 November 2023 and entered into between the Company (for itself and on behalf of the Group) and Nongtou (for itself and on behalf of the Nongtou Group) in relation to the supply of corn kernels by the Nongtou Group to the Group
“2023 Master Supply Agreement Effective Date”	the date on which the 2023 Master Supply Agreement shall become effective, i.e. the date upon the obtaining of the Independent Shareholders’ approval at the EGM
“%”	per cent.

By order of the Board
Global Bio-chem Technology Group Company Limited
Yang Jian
Chairman

Hong Kong, 1 November 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yang Jian and Mr. Wang Guicheng; one non-executive Director, namely, Mr. Li Yüewen; and three independent non-executive Directors, namely, Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu.

** for identification purposes only*