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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Global Bio-chem Technology Group Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING****Independent Financial Adviser to  
Independent Board Committee and Independent Shareholders**

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Capitalised terms used in this cover page shall bear the same meaning as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee (as defined in this circular) containing its advice to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser, Octal Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 38 of this circular.

A notice convening the EGM to be held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 21 December 2023 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. at or before 11:00 a.m. on Tuesday, 19 December 2023 (Hong Kong time)) or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

6 December 2023

\* *for identification purposes only*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions 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)
“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-owned subsidiary of the Company
“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 wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 21 December 2023, the notice of which is set out on pages EGM-1 to EGM-2 of this circular, and any adjournment thereof, 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 dollar(s), the lawful currency of Hong Kong

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee of the Board comprising all 3 independent non-executive Directors, namely Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, 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
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Board and approved by the Independent Board Committee for the purpose of advising the Independent Board Committee 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 proposed annual caps
“Jilin DOF”	Jilin Province Department of Finance, a PRC Governmental Body holding 10.0% interest 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 Jilin Provincial People’s Government), a PRC Governmental Body holding 90.0% interest in Nongtou
“Latest Practicable Date”	1 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“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 holding approximately 35.2% of the entire issued share capital of the Company as at the Latest Practicable Date
“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

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## DEFINITIONS

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“Nongtou Group”	Nongtou and its subsidiaries from time to time
“Nongtou Subsidiaries”	collectively, (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” or “China”	the People’s Republic of China
“PRC LLP”	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 is an agricultural fund established in the PRC
“PRC Governmental Body/(ies)”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“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.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Yang Jian (*Chairman*)

Mr. Wang Guicheng

*Non-executive Director:*

Mr. Li Yuewen

*Independent non-executive Directors:*

Ms. Jiang Fangfang

Mr. Tan Chao

Ms. Xie Liangqiu

*Registered office:*

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of business  
in Hong Kong:*

Suites 1002, 10<sup>th</sup> Floor

Tower A, Cheung Kei Center

18 Hung Luen Road,

Hung Hom, Kowloon

Hong Kong

6 December 2023

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
2023 MASTER SUPPLY AGREEMENT FOR  
THE PROCUREMENT OF CORN KERNELS  
AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

As announced by the Company on 1 November 2023, the Company and Nongtou entered into the 2023 Master Supply Agreement which constitute continuing connected transactions of the Company.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information regarding the resolution to be proposed at the EGM to approve the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps.

### 2. 2023 MASTER SUPPLY AGREEMENT

#### (A) Principal terms

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.

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## LETTER FROM THE BOARD

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### **(B) 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, which shall not be higher than the highest price 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 (玉米單位平均交割結算價) of the latest trade matching day before the proposed date of the placing of purchase order by any member of the Group, calculated by averaging the unit corn transaction prices (交割結算價) of all the corn transactions on the said latest trade matching day being published on the official website of Dalian Commodity Exchange ([www.dce.com.cn](http://www.dce.com.cn)); 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](http://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 (including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice of the Independent Financial Adviser) 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 prior to entering into any individual purchase agreements, and that all such commodity prices quoted are public information and are updated on a daily basis, such pricing term can ensure that the price of the corn kernels will be set at market rates from time to time.

### **(C) 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 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 before suspension of most of the upstream production facilities of the Group.



## LETTER FROM THE BOARD

Since the resumption of operation of the production facilities of Changchun Dahe 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\$623,000,000). 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\$260,000,000) were purchased from the Nongtou Subsidiaries Group under the Existing Master Supply Agreement, which became effective on 15 January 2021.

See below details of the quantities and amount of corn kernels purchased by members of the Group during the five years ended 31 December 2022 and the nine months ended 30 September 2023:

Relevant period/years	Quantity and amount of corn kernels purchased by members of the Group		Quantity and amount of corn kernels purchased from the Nongtou Group by members of the Group under previous master supply agreements and percentage of total purchased corn kernels			Quantity and amount of corn kernels purchased from independent third parties by members of the Group and percentage of total purchased corn kernels		
	MT	HK\$'000	MT	HK\$'000	%	MT	HK\$'000	%
	Year ended 31 December 2018	2,009,000	3,965,000	316,000 (Note 3)	613,000	15.7	1,693,000	3,352,000
Year ended 31 December 2019	1,362,000	2,654,000	408,000	774,000	30.0	954,000	1,880,000	70.0
Year ended 31 December 2020 (Note 1)	51,000	89,000	11,000	20,000	21.6	40,000	69,000	78.4
Year ended 31 December 2021 (Note 1)	-	-	-	-	-	-	-	-
Year ended 31 December 2022 (Note 2)	10,000	29,900	-	-	-	10,000	29,900	100.0
Nine months ended 30 September 2023 (Note 2)	226,000	623,000	91,000	260,000	40.3	135,000	363,000	59.7

*Notes:*

- Since the third quarter of 2019, the business environment of the corn refinery industry had been suffering from the prolonged pandemic issues, such as the African Swine Fever and the coronavirus disease (“COVID-19”). Reference is made to the announcements of the Company dated 24 September 2019, 16 December 2019, 10 February 2020 and 29 May 2020, most of the upstream production facilities had been suspended from the third quarter of 2019 to 2022 gradually. As such, insignificant amount of corn kernels were purchased by the Group for the year ended 31 December 2020 and no corn kernels were purchased by the Group during the year ended 31 December 2021.
- As set out in the announcement of the Company dated 29 December 2022, the operation of the production facilities of Changchun Dahe has resumed since mid-December 2022, the Group has then gradually picked up on the procurement of corn kernels upon such resumption of operations.
- Such amount includes (i) the amount of corn kernels purchased from 吉林吉糧資產供應鏈管理有限公司 (Jilin Jiliang Assets Supply Chain Management Co., Ltd.\*) (“Jiliang”), an indirectly wholly-owned subsidiary of Nongtou, by members of the Group under the master supply agreement dated 15 May

## LETTER FROM THE BOARD

2017, which become effective on 3 July 2017, and (ii) the amount of corn kernels purchased from Nongtou Group, by members of the Group under the master supply agreement dated 12 September 2018 (the “**2018 Master Supply Agreement**”), which become effective on 14 November 2018. For further details, please refer to the announcements and circulars of the Company dated 15 May 2017, 14 June 2017, 12 September 2018 and 25 October 2018, respectively.

See below details of (1) the annual caps for each of the three years ending 31 December 2023, and (2) the historical transaction amounts for each of the two years ended 31 December 2022 and nine months ended 30 September 2023, under the Existing Master Supply Agreement:

	<b>For the year ended/ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual caps	789,000	1,092,000	1,793,000

	<b>For the year ended</b>		<b>For the nine</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Historical amounts	–	–	260,000

See below details of the quantities and amount of corn kernels expected to be purchased by members of the Group during each of the three years ending 31 December 2026:

Relevant years	Quantity and amount of corn kernels expected to be purchased by members of the Group		Quantity and amount of corn kernels expected to be purchased from the Nongtou Group under the 2023 Master Supply Agreement by members of the Group and percentage of expected total purchased corn kernels			Quantity and amount of corn kernels expected to be purchased from independent third parties by members of the Group and percentage of expected total purchased corn kernels		
	<i>MT</i>	<i>HK\$'000</i>	<i>MT</i>	<i>HK\$'000</i>	%	<i>MT</i>	<i>HK\$'000</i>	%
	Year ending 31 December 2024	700,000	1,989,000	560,000	1,591,000	80.0	140,000	398,000
Year ending 31 December 2025	900,000	2,557,000	720,000	2,045,000	80.0	180,000	512,000	20.0
Year ending 31 December 2026	900,000	2,557,000	720,000	2,045,000	80.0	180,000	512,000	20.0

The Company expects that the quantity of corn kernels to be purchased by the Group for each of 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) respectively.

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## LETTER FROM THE BOARD

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The total amount of corn kernels expected to be purchased by the Group for each of the three years ending 31 December 2026 is determined based on the recent market prices of corn kernels with reference to the recent average unit price of corn kernels for the two months of 31 August 2023 and 30 September 2023 sourced from China Corn Network, which is an independent price consulting platform that has collated data from transactions that actually took place in the PRC, being approximately HK\$2,830 per MT as multiply by the Group's expected demand (in terms of quantity) for corn kernels as (a) the production facilities of Changchun Dahe is expected to resumed to full corn processing capacity of approximately 500,000 MT of corn per year, and (b) the production facilities in the Xinglongshan site are expected to resume operation in 2024, with a corn processing capacity of approximately 200,000 MT during the year and an expected utilization rate of at least 50% of the total corn processing capacity of approximately 800,000 MT for the two years ending 31 December 2026. The expected demand (in terms of quantity) for corn kernel with reference to the total sales of amino acid and upstream products of approximately 878,000 MT, corresponding to the procurement of approximately 936,000 MT corn kernels by Changchun Dahe and Dacheng Bio-Tech during the year ended 31 December 2018, being a financial year with a relatively normal business environment and when the production facilities of Changchun Dahe and Dacheng Bio-Tech were in operation.

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.

For estimating the purchase price of corn kernels for the period between 2024 and 2026, the Directors have considered the fact that the demand and supply of corn kernels in the Northern China are affected by PRC agricultural policy and geopolitical changes, as well as harvest conditions and timing which are particularly susceptible to unexpected external factors such as weather conditions and pest infestation, causing fluctuations in unit price of corn kernels over the past years. Therefore, the Directors are of the view that the recent price trend of corn kernels, being a publicly available information published by an independent consulting platform, would be an appropriate reference in estimating the purchase price of corn kernels for the period between 2024 and 2026, as such trend could better reflect the latest market condition.

Based on the above assumptions and the estimated purchase price, the Directors (including the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" of this circular after taking into account the advice of the Independent Financial Adviser) are of the opinion that the basis for setting the annual caps for the continuing connected transactions contemplated under the 2023 Master Supply Agreement for each of the three years ending 31 December 2026 are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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**(D) 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 second 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 has taken into consideration the following reasons and benefits that would be brought to the Group by entering into the 2023 Master Supply Agreement with Nongtou:

- (1) the Nongtou Group has always been and is willing to continue to offer better credit terms to the Group as compare to other suppliers (such as local farmers) which offer no credit period at all, alleviating pressure on the Group's financial liquidity;
- (2) the procurement of corn kernels from the Nongtou Group can reduce the Group's lead time as compared with procuring from other suppliers of the Group;
- (3) the core storage capacity of the Nongtou Group is at least 2,000,000 MT, such high corn storage capacity can ensure stable supply of quality corn kernels to the Group;
- (4) the Group can place more confidence in the Nongtou Group given its state-owned background and its business scale in being one of the largest corn kernel suppliers in Jilin Province; and
- (5) the 2023 Master Supply Agreement is not an exclusive supplier agreement, rather, it provides alternative means for the Group in procuring corn kernels, the Group may still source from other suppliers if it so wishes.

As such, the Directors believe that the procurement of corn kernels from the Nongtou Group under the 2023 Master Supply Agreement would allow the Group to continuously secure a relatively stable supply of corn kernels at reasonable price.

The Nongtou Group was not and will not become an exclusive supplier to the Group under the 2023 Master Supply Agreement. Given that the Group has a diversified list of suppliers and the abundant supply of corn kernels in the areas in which the Group operates, it could readily and easily switch to other sources for procurement if and when needed.

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## LETTER FROM THE BOARD

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As disclosed in the announcement of the Company dated 24 July 2023 in relation to, among others, the update on the debt restructuring plan of the Group and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”), the Group has been taking measures to improve its liquidity. It is believed that the 2023 Master Supply Agreement will also help alleviating the pressure on the Group’s cash flow as the Nongtou Group has always been offering the Group with better credit terms than local farmers, which serves as an arrangement to assist the Group to ensure its smooth operations. Nonetheless, as mentioned in the paragraph headed “2. 2023 MASTER SUPPLY AGREEMENT – (B) Pricing and other terms” above, the price of the corn kernels charged by the Nongtou Group shall be determined with reference to the latest market price obtained at public sources. As such, the Board does not consider that the arrangement between the Group and the Nongtou Group under the 2023 Master Supply Agreement would materially distort the financial results of the Group, if at all. The Board has established a series of internal control measures to avoid any undue reliance on the Nongtou Group for the supply of corn kernels and endeavour to maintain a balance between the corn kernels purchased from the Nongtou Group and those purchased from independent third parties. Yet, the maintenance of the balance between the purchase from the Nongtou Group and independent third parties is subject to the financial liquidity being improved with the completion of the Group’s remedial measures in improving the Group’s financial condition as set out in the 2023 Interim Report. Such improvements are expected to allow the Group to continue to purchase corn kernels directly from farmers who require payment by cash on delivery, a practice of which the Group has adopted since its establishment. However, given the variables below, the Group may still have to source a portion of corn kernels from the Nongtou Group from time to time:

- (1) the harvest condition and timing of harvest in each of the areas where the Group operates (bad weather conditions which may obstruct transportation, poor quality due to various reasons such as moisture level and pest infestation, etc. could affect or delay the supply of corn kernels in the market) which may require the Group to purchase from the Nongtou Group as a contingency plan;
- (2) the PRC agricultural policy which may affect the demand and supply directly of corn kernels in Northern China; and
- (3) the future capital expenditure plan of the Company may affect the liquidity of the Company and its ability to pay supplier upfront and thus the Group may decide to purchase from the Nongtou Group which offers a better credit terms.

To ensure that there will not be any material or undue reliance on the Nongtou Group for the supply of corn kernels, the Company has established the following internal control measures:

- (1) the procurement department of the Group will continuously update the list of suppliers of corn kernels, which normally consist of local farmers and other local suppliers, so as to maintain a diversified pool of alternative suppliers other than the Nongtou Group;

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## LETTER FROM THE BOARD

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- (2) maximum monthly purchase amount (the “**Maximum Monthly Purchase Amount**”) from the Nongtou Group will be set by the management by taking into account the production requirement to avoid any issue of material or undue reliance on the supply of corn kernels from the Nongtou Group. Such Maximum Monthly Purchase Amount is normally set at 70% of the relevant annual caps divided by twelve months after taking into account all relevant factors such as (i) the monthly production plan of the Group’s production facilities which determines the actual demand of corn kernels; (ii) the availability of corn kernels in the open market (driven by corn harvest seasonality and market demand of corn kernels of the relevant month); and (iii) any other events that may cause delay of delivery of corn kernels (such as harsh weather conditions that persist over a period of time which may obstruct transportation). The 70% threshold is determined with reference to the Group’s procurement of corn kernels from the Nongtou Group of approximately HK\$320,000,000, representing approximately 63.2% of the relevant annual cap under the 2018 Master Supply Agreement, during the year ended 31 December 2018, being a financial year with a relatively normal business environment and when the production facilities of Changchun Dahe and Dacheng Bio-Tech were in operation. Once the monthly purchase amount from the Nongtou Group approaches the Maximum Monthly Purchase Amount, the management of the Company will evaluate the supply of corn kernels in the market (including the review of the Group’s list of suppliers) and the Group’s demand of corn kernels in the remaining months of the year, and decide to suspend the purchase of corn kernels from the Nongtou Group and procure the same from other independent suppliers if the purchase prices and credit terms offered by these independent suppliers are similar or even slightly less favorable than that of the Nongtou Group provided that the Group is in a relatively healthy financial situation;
- (3) the procurement department of the Group will check the price of corn kernels from two public sources prior to entering into each individual purchase agreements to ensure the purchase price of corn kernels from the Nongtou Group will not (i) violate the pricing terms under the 2023 Master Supply Agreement; and (ii) be substantially lower the market rates which may entice the Group to be materially reliant on the assistance provided by the Nongtou Group, and report to the accounting department accordingly. Should the purchase price of corn kernels from the Nongtou Group be 20% lower than the market rates, being a price which is way below market price and therefore based on the Group’s experience, may be indicative of inferior quality of the corn kernels supply, the procurement department would review the Group’s list of suppliers and source corn kernels from alternative suppliers depending on the quality of products offered, the suppliers’ availability and the terms and conditions of such order(s) in order to ensure the Group’s product quality and production yield. This also serve to avoid any undue reliance on the substantially low purchase price from the Nongtou Group which may possibly impact the Group’s financial projection and planning should the Nongtou Group be unable to continuously supply the Group with corn kernels at substantially lower purchase price;

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## LETTER FROM THE BOARD

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- (4) the procurement department of the Group will monitor the transactions between the Group and the Nongtou Group on a monthly basis to maintain the purchase from the Nongtou Group within the Maximum Monthly Purchase Amount and ensure that the purchase price is at market rates and the accounting department will report to the management on timely basis;
- (5) the accounting department of the Group will prepare a monthly report for review by the independent non-executive Directors;
- (6) the internal control department of the Group will perform review annually and by request from the accounting department of the Group and the independent non-executive Directors when any suspected non-compliance is noted to ensure that individual purchase orders comply with the terms of the 2023 Master Supply Agreement and the monthly purchase limit and will report its findings to the management and the audit committee of the Company (the “**Audit Committee**”); and
- (7) the auditor of the Company will also perform review of the transactions between the Group and the Nongtou Group on an annual basis and the findings will be reported to the Audit Committee.

It is noted that quantity of corn kernels expected to be purchased from the Nongtou Group by members of the Group would constitute approximately 80.0% of the expected total purchased corn kernels of the Group during each of the three years ending 31 December 2026. However, the Board does not consider there to be any issue of material or undue reliance on the Nongtou Group, and is of the view that the actual amount of corn kernels to be purchased from the Nongtou Group will not be excessive based on the following:

- (1) such arrangement is a temporary measure to assist the Group to go through the transitional period pending the completion of the remedial measures as set out in the 2023 Interim Report to address the going concern issue of the Group;
- (2) the amount of corn kernels to be purchased from the Nongtou Group can be easily reduced to any level if the liquidity of the Group improves or if better credit terms/ prices are offered by the independent third parties;
- (3) the Group has the unilateral right to reduce or suspend the purchase from the Nongtou Group at anytime as the 2023 Master Supply Agreement is non-exclusive and does not impose any positive obligation on the part of the Group to purchase a committed amount of corn kernels;
- (4) the Group has all along maintained a diversified list of suppliers in light of the abundance of suppliers of corn kernels in the relevant areas and has maintained close business relationships with independent suppliers;

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## LETTER FROM THE BOARD

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- (5) corn kernels are products that are readily available in the market and the Group will be able to purchase corn kernels from other independent suppliers if the Group decides to reduce or suspend procurement from the Nongtou Group or in the event that the Nongtou Group ceases to supply to the Group; and
- (6) the Company has put in place internal policies as detailed in the above paragraph, to avoid any material or undue reliance of the Group on the Nongtou Group for supply of corn kernels.

The Directors (including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the 2023 Master Supply Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2026 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.

**(E) 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 “2. 2023 MASTER SUPPLY AGREEMENT – (B) Pricing and other terms” above, 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:

- (1) 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 favourable to the Group;
- (2) 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;
- (3) 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



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## LETTER FROM THE BOARD

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normal commercial terms or better and in accordance with the relevant agreement, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole; and

- (4) 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.

### **3. 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 Latest Practicable Date, 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.

### **4. IMPLICATIONS UNDER THE LISTING RULES**

As at the Latest Practicable Date, Nongtou is interested in approximately 35.2% of the entire issued share capital of the Company through its control in PRC 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.

### **5. DISCLOSURE OF DIRECTORS' INTERESTS**

Mr. Yang Jian, an executive Director, is also a director and the general manager of Nongtou. As such, Mr. Yang Jian is considered to have material interests in the 2023 Master Supply Agreement and has abstained from voting in respect of the relevant Board resolutions approving the continuing connected 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.

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## LETTER FROM THE BOARD

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### 6. EGM

The Company will convene the EGM at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 21 December 2023 to consider and, if thought fit, approve the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM. Nongtou and its associates, and any Shareholders who are materially interested in the continuing connected transactions contemplated under the 2023 Master Supply Agreement, are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps.

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, Nongtou indirectly held an aggregate of 3,135,509,196 Shares, representing approximately 35.2% of the entire issued share capital of the Company through Modern Agricultural. Therefore, Modern Agricultural shall abstain from voting on the resolution to be proposed at the EGM to approve the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 11:00 a.m. on Tuesday, 19 December 2023 (Hong Kong time)) or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

### 7. RECOMMENDATION

The Directors (including the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" of this circular after taking into account the advice of the Independent Financial Adviser) consider that terms of and the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### 8. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 18 to 19 of this circular which contains its advice to the Independent Shareholders regarding the terms of and the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps, the letter from Octal Capital set out in pages 20 to 38 of this circular

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## LETTER FROM THE BOARD

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which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of and the continuing connected transactions contemplated under the 2023 Master Supply Agreement and the proposed annual caps and the principal factors and reasons taken into consideration in arriving at its advice, and the additional information set out in the appendix to this circular.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

6 December 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
2023 MASTER SUPPLY AGREEMENT FOR  
THE PROCUREMENT OF CORN KERNELS**

We refer to the circular issued by the Company to its Shareholders and dated 6 December 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions contemplated under the 2023 Master Supply Agreement constitute continuing connected transactions for the Company and are subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the 2023 Master Supply Agreement and its proposed annual caps and to advise the Independent Shareholders in connection with the continuing connected transactions contemplated under the 2023 Master Supply Agreement as to whether, in our opinion, the terms of the 2023 Master Supply Agreement and its proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Octal Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

\* *for identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board, as set out on pages 4 to 17 of the Circular, which contains, inter alia, information on the 2023 Master Supply Agreement, and the letter from Octal Capital, as set out on pages 20 to 38 of the Circular, which contains its advice to us and the Independent Shareholders in connection with the 2023 Master Supply Agreement. Having considered, among other things, the principal factors and reasons for entering into the 2023 Master Supply Agreement and the transactions contemplated thereunder, as well as the advice of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the 2023 Master Supply Agreement and its proposed annual caps to be fair and reasonable. We also consider that the continuing connected transactions contemplated under the 2023 Master Supply Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2023 Master Supply Agreement and its proposed annual caps.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Tan Chao**

*Independent non-executive Directors*

**Jiang Fangfang**

**Xie Liangqiu**

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## LETTER FROM OCTAL CAPITAL

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*The following is the full text of the letter from Octal Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular.*



801-805, 8/F, Nan Fung Tower,  
88 Connaught Road Central,  
Hong Kong

6 December 2023

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Master Supply Agreement, and the transactions contemplated thereunder and the respective annual caps for each of the three years ending 31 December 2026, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 6 December 2023 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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.

As at the Latest Practicable Date, Nongtou is interested in approximately 35.2% of the entire issued share capital of the Company through its control in PRC 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 of 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 considerations exceed HK\$10,000,000 each, the continuing connected transactions under the 2023 Master Supply Agreement and the proposed annual caps therefore are subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM OCTAL CAPITAL

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In this connection, the Company will seek the Independent Shareholders' approval for the continuing connected transactions under the 2023 Master Supply Agreement and the proposed annual caps at the EGM, at which resolutions to be proposed at the EGM will be taken by poll. At the EGM, Nongtou and its associates and any Shareholders interested in the 2023 Master Supply Agreement are required to abstain from voting on the resolution(s) in relation to the 2023 Master Supply Agreement and the proposed annual caps. In addition, the Independent Board Committee has been established to advise the Independent Shareholders whether the terms and conditions of the 2023 Master Supply Agreement and the proposed, annual caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all of the independent non-executive Directors, namely Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, has been established. The Independent Board Committee will advise the Independent Shareholders as to whether the terms of the 2023 Master Supply Agreement and the transactions contemplated thereunder 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, and will advise the Independent Shareholders on how to vote at the EGM taking into account the advice of the Independent Financial Adviser.

### **OUR INDEPENDENCE**

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms and conditions of 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 Independent Shareholders as a whole, and as to voting in respect of the resolution(s) at the EGM.

During the last two years, we were appointed by the Company in relation to a connected transaction in relation to the proposed extension of the maturity date of the convertible bonds and the application of whitewash waiver, details of which can be referred to the circular of the Company dated 15 July 2023. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive of the Company and substantial Shareholders, or any of their respective subsidiaries or associates. We were not connected with the Directors, chief executive of the Company and substantial Shareholders or any of their respective subsidiaries or associates, and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM OCTAL CAPITAL

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### **BASIS OF OUR ADVICE**

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information, among other things, (i) the 2023 Master Supply Agreement; (ii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (iii) other information as set out in the Circular; and (iv) the relevant market data and information available from public sources, to reach an informed view and justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

### **2023 MASTER SUPPLY AGREEMENT**

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Master Supply Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

#### **1. Background of the Group**

The Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products in the PRC. The major production facilities of the Group are all located in Changchun Jilin, Jinzhou Liaoning, and Shanghai.

#### **2. Background of Nongtou**

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 Latest Practicable Date, Nongtou is owned as to 90.0% by Jilin SASAC and as to 10.0% by Jilin DOF. Both of Jilin SASAC and Jilin DOF are PRC Governmental Bodies.



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**LETTER FROM OCTAL CAPITAL**

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**3. Financial information of the Group**

*Review of financial performance*

The table below sets out the audited financial information of the Group for the years ended 31 December 2021 and 31 December 2022 (the “FY2021” and “FY2022”), and unaudited financial information of the Group for the six months periods ended 30 June 2022 and 30 June 2023 (the “HY2022” and “HY2023”) extracted from the 2022 Annual Report and the 2023 Interim Report.

	<b>HY2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>HY2022</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>FY2022</b> <b>(Audited)</b> <i>HK\$'000</i>	<b>FY2021</b> <b>(Audited)</b> <i>HK\$'000</i>
Revenue	<u>662,467</u>	<u>155,562</u>	<u>372,278</u>	<u>746,551</u>
Gross (loss)/profit	(38,234)	11,719	34,597	48,351
Gross margin	-5.8%	7.5%	9.3%	6.5%
Other income and gains	614,399	8,521	30,874	1,406,507
Operating expenses	(344,532)	(476,081)	(913,037)	(1,071,738)
Finance costs	(362,241)	(373,400)	(726,218)	(790,585)
Share of loss of a joint venture	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,004)</u>
Loss before tax	(130,608)	(829,241)	(1,573,784)	(409,469)
Income tax credit (expenses)	<u>35,486</u>	<u>–</u>	<u>54,219</u>	<u>(25,920)</u>
<b>Loss after tax</b>	<b>(95,122)</b>	<b>(829,241)</b>	<b>(1,519,565)</b>	<b>(435,389)</b>
Excluding one-off/non-recurring items:				
(a) Gain on de-recognition of a subsidiary, 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) (“ <b>Harbin Dacheng</b> ”)	(588,700)	–	–	–
(b) Gain on debt restructuring	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,325,031)</u>
<b>Adjusted loss after tax</b>	<b><u>(683,822)</u></b>	<b><u>(829,241)</u></b>	<b><u>(1,519,565)</u></b>	<b><u>(1,760,420)</u></b>

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## LETTER FROM OCTAL CAPITAL

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### *FY2021 vs FY2022*

The Group's revenue declined significantly by approximately 50.1% from approximately HK\$746.6 million for FY2021 to approximately HK\$372.3 million for FY2022, which was mainly attributable to the temporary suspension of production in the Shanghai site resulting from the COVID-19 lockdown in Shanghai, leading to a material drop in the sales volume of sweeteners of the Group by approximately 51.1%.

During FY2021 and most of the time in FY2022, the Group only maintained the production activities in the Shanghai site and generated revenue of approximately HK\$727.3 million and HK\$359.6 million from the sale of corn sweeteners, respectively. Until the mid of December 2022, the Group resumed its lysine operation of Changchun Dahe.

On the other hand, the Group's gross profit decreased significantly from HK\$48.4 million in FY2021 to HK\$34.6 million in FY2022 due to the decrease in the sales volume. The gross profit margin increased from approximately 6.5% in FY2021 to approximately 9.3% in FY2022 due to the improvement in corn sweetener prices as driven by rising sugar price during FY2022. During FY2022, the sugar price in the PRC market has been increasing and the Group was able to sell its corn sweeteners at a higher price. The Group's selling price increased at a larger extent as compared to the increment in the raw material prices, leading to higher gross profit margin in FY2022.

As a result of the decline in the sales volume during FY2022, the selling and distribution costs for FY2022 decreased by approximately 37.5% to approximately HK\$39.7 million (FY2021: HK\$63.5 million).

During FY2022, administrative expenses decreased by approximately 12.0% to approximately HK\$328.2 million (FY2021: HK\$372.8 million). Such decrease was mainly attributable to (i) the decrease in depreciation expense by approximately HK\$10.8 million to approximately HK\$134.3 million (FY2021: HK\$145.1 million) as a result of loss on properties revaluation on buildings recorded in FY2021; and (ii) the decrease in salary expense by approximately HK\$14.0 million to approximately HK\$47.1 million (FY2021: HK\$61.1 million) as a result of the effective cost control measures of the Group during FY2022.

During FY2022, finance costs of the Group decreased by approximately 8.1% to approximately HK\$726.2 million (FY2021: HK\$790.6 million), which was mainly attributable to the decrease in interest payables to suppliers subsequent to the agreements reached with creditors to reschedule the repayment plan during FY2022.

As a result of the foregoing, the Group recorded adjusted loss after tax of approximately HK\$1,519.6 million in FY2022, as compared to that of approximately HK\$1,760.4 million in FY2021.

### *HY2022 vs HY2023*

The Group's revenue increased significantly by approximately 325.8% from approximately HK\$155.6 million for HY2022 to approximately HK\$662.5 million for HY2023. The significant growth of revenue was mainly driven by a substantial increase in sales revenue from amino acids and corn

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## LETTER FROM OCTAL CAPITAL

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sweeteners. This was due to the resumption of sweeteners production facilities in Shanghai, which had been temporarily suspended in the second quarter of 2022 as a result of the COVID-19 lockdown measures in the city, and the resumption of the Group's lysine production.

For the first half of 2023, the Group recorded a gross loss of approximately HK\$38.2 million which is mainly related to the amino acids segment. The Group's lysine production facilities were still in the initial stage of resumption where the overall utilization rate remained low, resulting in relatively higher unit costs. The amino acids segment therefore recorded a gross loss for HY2023.

During HY2023, operating expenses of the Group decreased by approximately 27.6% from approximately HK\$476.1 million for HY2022 to approximately HK\$344.5 million for HY2023. The reduction in the operating expenses are mainly attributable to the continuous suspension of the Group's other production facilities, except for the production facilities of Changchun Dahe and the Shanghai production site, both which have been resumed operation in HY2023.

The finance costs of the Group are maintained at a high level. The Group recorded finance costs of approximately HK\$362.2 million in HY2023, representing approximately 54.7% of the total revenue of the Group in the corresponding period.

During HY2023, the Group derecognized the assets and liabilities of Harbin Dacheng on 12 June 2023. Since one of the creditors of Harbin Dacheng submitted an application to the courts for winding up Harbin Dacheng, the application was subsequently accepted by the court. As a result of the loss of control on Harbin Dacheng, all assets and liabilities pertaining to Harbin Dacheng were de-recognized in the Company's consolidated financial statements, resulting a one-off gain of approximately HK\$588.7 million, which was recorded in other income and gains for HY2023.

As a result of the foregoing, the Group recorded adjusted loss after tax of approximately HK\$683.8 million in HY2023, as compared to that of approximately HK\$829.2 million in HY2022.

### ***Review of financial position***

Major items of the audited consolidated financial position of the Group as at 31 December 2021 and 2022, and the unaudited consolidated financial position of the Group as at 30 June 2023 extracted from 2022 Annual Report and 2023 Interim Report are summarized in the following table.

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**LETTER FROM OCTAL CAPITAL**

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	<b>30 June 2023 (Unaudited) HK\$'000</b>	<b>As at 31 December 2022 (Audited) HK\$'000</b>	<b>31 December 2021 (Audited) HK\$'000</b>
Property, plant and equipment	4,375,055	4,706,470	5,381,367
Other non-current assets	<u>425,921</u>	<u>455,863</u>	<u>509,140</u>
<b>Non-current assets</b>	<b>4,800,976</b>	<b>5,162,333</b>	<b>5,890,507</b>
Inventories	248,637	216,720	81,418
Trade receivables	136,258	59,845	112,211
Prepayments, deposits and other receivables	357,216	367,995	376,239
Cash and bank balance	63,679	41,766	21,810
Other current assets	<u>1,841</u>	<u>1,228</u>	<u>530</u>
<b>Current assets</b>	<b>807,631</b>	<b>687,554</b>	<b>592,208</b>
<b>Total assets</b>	<b>5,608,607</b>	<b>5,849,887</b>	<b>6,482,715</b>
Convertible bonds	–	–	938,855
Other non-current liabilities	<u>49,080</u>	<u>130,939</u>	<u>209,001</u>
<b>Non-current liabilities</b>	<b>49,080</b>	<b>130,939</b>	<b>1,147,856</b>
Trade payables	928,105	1,201,524	1,172,159
Interest-bearing bank and other borrowings	6,842,615	7,113,550	7,501,280
Convertible bonds	1,090,175	1,037,451	–
Other current liabilities	<u>4,186,509</u>	<u>4,153,479</u>	<u>3,362,245</u>
<b>Current liabilities</b>	<b>13,047,404</b>	<b>13,506,004</b>	<b>12,035,684</b>
<b>Total liabilities</b>	<b>13,096,484</b>	<b>13,636,943</b>	<b>13,183,540</b>
<b>Net current liabilities</b>	<b>12,239,773</b>	<b>12,818,450</b>	<b>11,443,476</b>
<b>Net liabilities</b>	<b>7,487,877</b>	<b>7,787,056</b>	<b>6,700,825</b>
Interest-bearing bank and other borrowings, and convertible bonds (current and non-current)	7,932,790	8,151,001	8,440,135
Gearing ratio <sup>Note</sup>	141.4%	139.3%	130.2%

*Note: Gearing ratio represents debts (i.e. total interest-bearing bank and other borrowings and convertible bonds) to total assets.*

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The total assets of the Group had been declining from approximately HK\$6,482.7 million as at 31 December 2021 to approximately HK\$5,608.6 million as at 30 June 2023, among of which the cash and bank balances increased from approximately HK\$21.8 million to approximately HK\$63.7 million. The Group slightly improved the cash position through obtaining new borrowings of approximately HK\$184.5 million during HY2023.

Due to the production resumption in the Shanghai site from the mid of 2022 and those of Changchun Dahe in the mid of December 2022, the inventory level rebounded to approximately HK\$248.6 million as at 30 June 2023.

The total liabilities of the Group slightly decreased from approximately HK\$13,183.5 million as at 31 December 2021 to approximately HK\$13,096.5 million as at 30 June 2023, among of which the total amount of interest-bearing bank and other borrowings and convertible bonds, slightly decreased from approximately HK\$8,440.1 million to approximately HK\$7,932.8 million.

The Group's gearing ratio was approximately 139.3% and 141.4% as at 31 December 2022 and 30 June 2023, respectively. The high indebtedness and net liabilities position of the Group caused material uncertainty relating to going concern, leading to the disclaimer of opinion made by the external auditor of the Company for the consolidated financial statements of the Group for FY2022.

### *Outlook and prospects*

As disclosed in the 2023 Interim Report, the Company is conducting a debt restructuring plan which is expected to be completed by phase in the coming years of 2024 and 2025. Moreover, as disclosed in the joint announcement and the circular dated 25 May 2023 published by the Company, the Company is in the process to dispose approximately 47.0% of the issued share capital of Global Sweeteners Holdings Limited (“GSH”) to Mr. Kong Zhanpeng and Mr. Wang Tiegung (the “GSH Disposal”). Upon completion of GSH Disposal, the net liabilities of the group of GSH will no longer be consolidated into the consolidated financial statements of the Group and the financial position of the Group will improve significantly. On the other hand, pursuant to another two sale and purchase agreements dated 6 April 2023, the Group is conducting the acquisition of the entire equity interests in 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.\*) and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.\*) (collectively “Dihao Companies”) from the group of GSH. As at the Latest Practicable Date, the GSH Disposal and the acquisition of Dihao Companies have not yet completed.

Although the partial production resumption of Changchun Dahe and those in the Shanghai site increased the Group's sales revenue to HK\$662.5 million, the Group recorded gross loss of approximately HK\$38.2 million and cash outflow of operating activities in HY2023 of approximately HK\$144.1 million, indicating that the Group is still facing a challenging cash flow pressure.

Since the Group's debt restructuring plan is still in process, the Group has taken various measures to minimize operating cash outflow and is cautious in determining the timing of resumption of the operation of other production facilities.

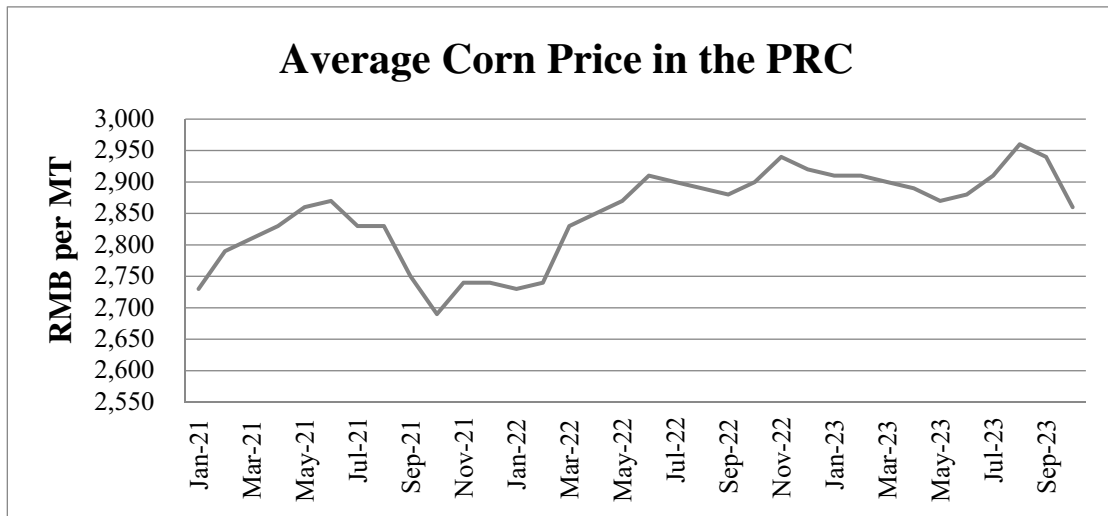
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### 4. Industry overview

The following graph shows the average corn price in the PRC for the period from January 2021 to October 2023.



Source: National Bureau of Statistics (國家統計局)

Note: As disclosed in the website of National Bureau of Statistics, the average corn price is sourced from 31 provinces in the PRC and included the relevant operating cost, profit margin and value-added tax.

From the above chart, we observed that the average corn price in the PRC was moving upward from RMB2,730 per MT in January 2021 to around RMB2,870 per MT in June 2021, then dropped to the lowest level of RMB2,690 per MT in October 2021. Afterwards, the average corn price was in an upward trend and reached RMB2,940 per MT in November 2022.

The average corn price gradually moved downward to RMB2,870 per MT in May 2023 and rebounded to RMB2,960 per MT in August 2023. The average corn price recently dropped to RMB2,860 per MT in October 2023.

During the past three years, the average corn price in the PRC has been fluctuated due to many factors, including but not limited to the COVID-19 pandemic control in the PRC, agricultural policy of the PRC government, the harvest conditions, the harvest timing, and the pest infestation etc.

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### 5. Reasons for and benefits of the 2023 Master Supply Agreement

Corn kernels are core raw materials of the Group's products. The corn kernels will be refined to corn starch, gluten meal, fiber and corn oil and these are the upstream products of the Group. The corn starch is further refined through a series of biochemical and/or chemical process into a wide range of high value-added downstream products such as amino acids, corn sweeteners and polyol chemicals.

During FY2021 and FY2022, since the Group suspended most of their production facilities, there was no purchase of corn kernels in FY2021 and only purchased around 10,000 MT corn kernels from independent suppliers in FY2022. After the gradual resumption of lysine production facilities in mid-December 2022, the Group purchased around 226,000 MT corn kernels during the nine months ended 30 September 2023, among of which 91,000 MT were bought from the Nongtou Subsidiaries Group under the Existing Master Supply Agreement. Nongtou and Nongtou Subsidiaries Group have been providing a stable supply of quality corn kernels as one of the suppliers of the Group since the year ended 31 December 2017. By entering into the 2023 Master Supply Agreement, the Group may continue to purchase corn kernels from the Nongtou Group from time to time when the pricing and trading terms of the Nongtou Group are better than independent suppliers. The 2023 Master Supply Agreement offers the Group an alternative channel for sourcing its required quantity of corn kernels, especially during the months in non-harvest season (i.e. May to September) where the supply of high quality corn kernels is tight.

Nongtou is ultimately controlled by Jilin SASAC. Given its state-owned background and dominant position in the agricultural sector in Jilin Province, the Nongtou Group is capable to collect corn kernels from numerous farmers and maintain a high inventory level of corn kernels. As advised by the management of the Company, the Nongtou Group is willing to offer better credit terms to the Group as compared to direct purchase from independent suppliers who always request cash payment upon delivery. Moreover, as stated in the Letter from the Board, the production facilities and grain storage sites of the Nongtou Group are located in various cities in Jilin Province with core storage capacity of at least 2,000,000 MT, which allow the Group to procure a large volume of corn kernels from the Nongtou Group with lower administrative cost as compared with procuring from independent suppliers. The Group would like to leverage on its strong and stable business relationship with the Nongtou Group for all these years to obtain a stable supply of quality corn kernels to facilitate the Group's gradual resumption of production.

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Furthermore, the 2023 Master Supply Agreement is a non-exclusive supply arrangement, and the Group has no procurement commitment with the Nongtou Group. We are advised by the management of the Company that given the Group has maintained a diversified list of suppliers and there is abundance supply of corn kernels in the relevant area, the Group has the flexibility to source corn kernels from independent suppliers at any time if the prices and terms offered by independent suppliers are more favorable than those offered by the Nongtou Group. According to Xinhua News Agency (新華社), Jilin Province, being a major grain production base in China, has been developing into a modern agriculture system over the past years to build up its strength in the agricultural market. With the provincial government efforts in black soil conservation and seed industry development, it has achieved high grain output in recent years. With reference to National Bureau of Statistics (國家統計局), the corn production volume of Jilin Province recorded approximately 32.0 million MT and 32.6 million MT during 2021 and 2022 respectively, and Jilin Province has been the second largest provincial corn producer in the PRC for 10 years since 2013. There are many farmer cooperatives and corn planation enterprises established in Jilin Province. Therefore, we consider that Jilin Province has abundant supply of corn which can support the Group's demand on corn kernels. Moreover, during the nine months period of 2023, the Group has been purchased corn kernels from at least 800 independent suppliers for approximately 135,000 MT of corn kernels. Apart from the Nongtou Group, the Group have other channels to source corn kernels in the market.

The Group partially resumed its production facilities in Changchun Dahe and the Shanghai production site which in aggregate generated revenue of approximately HK\$662.5 million while the Group still recorded net cash outflow of approximately HK\$144.0 million from its operating activities during HY2023. At this stage, the Group is facing very tight cash flow even after the resumption of its production activities. Procuring raw materials from the Nongtou Group, which offers better credit terms, can ease cash flow pressure of the Group and is beneficial to the Group.

Having considered that (i) the long-term and stable business relationship between the Nongtou Group and the Group; (ii) the better credit terms offered by the Nongtou Group as compared to independent suppliers; (iii) the Nongtou Group's large storage capacity of corn kernels; (iv) the non-exclusive nature of the supplier arrangement with the Nongtou Group; and (v) there is no procurement commitment under the 2023 Master Supply Agreement, we are of the view that entering into the 2023 Master Supply Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

### **6. Terms of the 2023 Master Supply Agreement**

Pursuant to the 2023 Master Supply Agreement, the Company appointed the Nongtou Group as 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 not less than three months' written notice.



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Pursuant to the 2023 Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with the 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.

### *Pricing policy of corn kernels*

The Nongtou Group shall supply corn kernels to the Group at market rates and price which shall not be higher than the highest price 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](http://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, calculated by averaging the unit corn transaction prices (交割結算價) of all the corn transactions on the said latest trade matching day being published on the official website of Dalian Commodity Exchange ([www.dce.com.cn](http://www.dce.com.cn)); 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](http://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.

In order to assess the fairness and reasonableness of the price determination as set out in the 2023 Master Supply Agreement, we have discussed with the management of the Company and were advised that these two price references were chosen because of their data transparency. We have looked into these two websites and noted that the bid and ask prices of corn kernels in different regions of China are publicly available and easily accessible. The information provided on China Corn Network ([www.yumi.com.cn](http://www.yumi.com.cn)) reflected the prices of actual transactions in relation to corn kernels in the PRC which are good indicators of market trading price. The China Corn Network was established since 2001 and is now one of the major market information providers in the PRC which is specialized in the provision of corn market information in the PRC to the grain suppliers, refinery, traders and commodity exchange in the PRC, including Dalian Commodity Exchange. The corn futures prices indicated on the website of Dalian Commodity Exchange reflect the market speculation on the corn price based on the future supply and demand situations. According to CommodityBasis.com, an independent commodity information provider, the corn contracts traded on the Dalian Commodity Exchange is the second largest volume in the world. The future price quoted on the Dalian Commodity Exchange is representing the prevailing future corn prices. Based on the above analysis, we consider that the price information shown on the two websites are reasonable indicators for the Group to determine the purchase price of corn kernels with the Nongtou Group.

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Since there was no procurement with the Nongtou Group during FY2021 and FY2022 and there was minimal procurement of corn kernels from independent suppliers in FY2022, we performed sample review on the purchase transactions during the period from January 2023 to September 2023. We have reviewed purchase transactions of corn kernels entered into between the Group and independent suppliers as well as the Nongtou Group during the period from January 2023 to September 2023 on a sample basis. We obtained a list of monthly purchase transactions with independent suppliers for the period from January 2023 to September 2023 in which the amount of each purchase is ranged from around RMB1,000 to around RMB99,900 and there was around 5,000 purchase transactions during that period. We performed sample-checking on 20 sets of purchase transactions with invoice value above RMB90,000 for each month. We noted that the unit purchase price of corn kernels is in line with the then market rates and the payments were made in cash to the independent suppliers and no upfront deposit is required. The Group made two batches of purchase of approximately 91,000 MT from the Nongtou Group during the nine months ended 30 September 2023 and we reviewed all relevant purchase documents. We noted that the purchase prices with the Nongtou Group are in line with the then market rates and the Nongtou Group offered better credit terms (including no upfront deposit and no cash payment upon the delivery) as compared to cash payment made to the independent suppliers upon exchange of corn kernels. We considered that these transaction reviewed by us are sufficient and representative for our due diligence propose.

### 7. Proposed Annual Caps

The following table sets out the proposed annual caps of the 2023 Master Supply Agreement:

	Year ending 31 December		
	2024	2025	2026
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Annual caps	1,591	2,045	2,045

The 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 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 before suspension of most of the upstream production facilities of the Group.

We understand from the management of the Company that the proposed annual caps are prepared on the basis of multiplying the estimated price of the corn kernels per MT by the estimated quantity to be purchased by two subsidiaries of the Group (i.e. Changchun Dahe and Dacheng Bio-Tech) from the Nongtou Group.

Changchun Dahe has resumed its production in mid-December 2022 and commenced procuring corn kernels for further processing. We checked to the procurement record of Changchun Dahe which purchased approximately 226,000 MT of corn kernels during the first three quarters of 2023, among of which approximately 91,000 MT corn kernels were bought from the Nongtou Group. During July and August 2023, Changchun Dahe conducted a large scale annual checking and upgrade services, thus the production was shortly interrupted. Afterwards, Changchun Dahe's production facilities were

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better equipped and more manpower were hired in the production site, thus Changchun Dahe is capable to process higher volume of product orders. With the arrival of the peak season of lysine, Changchun Dahe bought around 73,000 MT of corn kernels in September 2023 and has scheduled to procure 135,000 MT of corn kernels in the fourth quarter of 2023. On the other hand, Changchun Dahe is planning to utilize around 83.3% of its maximum corn processing capacity during the three years ending 31 December 2026. Having considered the average monthly procurement of corn kernels of around 52,000 MT for the period from September 2023 to December 2023 and the expected utilization of corn processing capacity of Changchun Dahe, Changchun Dahe forecasts to procure 500,000 MT of corn kernels during each of the three years ending 31 December 2026.

On the other hand, the Company is working to obtain new capital of approximately RMB200.0 million to RMB300.0 million to revamp and revive the production facilities of Dacheng Bio-Tech as well as hiring new on-site employees. If the Company is able to secure new capital, Dacheng Bio-Tech will resume its production in 2024 and estimate to purchase 200,000 MT corn kernels, representing around 25% of its maximum corn processing capacity. During the two years ending 31 December 2025, the estimated procurement volume of corn kernels will increase to 400,000 MT each year, representing around 50% of its maximum corn processing capacity. Changchun Dahe was initially operating at around 40% of its maximum corn processing capacity and then gradually went up to around 50% in September 2023. As the Group is facilitating debt restructuring plan, the Group could enjoy new bank borrowing facilities by debt financing for resumption of Dacheng Bio-Tech in 2024 after the completion of debt restructuring plan. Taking into account of such resumption schedule and the recent resumption experience of Changchun Dahe, the utilization rate of 25% of Dacheng Bio-Tech in 2024 is reasonable. In the coming years of 2025 and 2026, the Group is expecting to generate higher operating cash inflow, we believe that the utilization rate up to 50%, which is similar to the current utilization rate of Changchun Dahe, is achievable.

We noted that, during the year ended 31 December 2018, Changchun Dahe and Dacheng Bio-Tech were operating under a relatively normal business environment and purchased corn kernels of approximately 490,000 MT and 446,000 MT, respectively. With reference to their corn procurement volume in 2018, the total corn kernels to be purchased by Changchun Dahe and Dacheng Bio-Tech in the coming three years are considered not excessive.

The amino acids segment of the Group consists of lysine, protein lysine and threonine products. The amino acids are widely used in the animal feed industry as an important nutrition additive. With reference to an industry report on the feed amino acids market published by the Chinese Association of Animal Science and Veterinary Medicine, CAAV (中國畜牧獸醫學會), the feed amino acids market in the PRC exhibited a compound annual growth rate (“CAGR”) of around 13.8% for the period from 2015 to 2022. The market growth in the PRC is much higher than that of the global market CAGR of 6.4% during the same period. The production volume of feed amino acid in the PRC amounted to 3.9 million MT in 2022. The Animal Husbandry and Veterinary Bureau (畜牧獸醫局) under the Ministry of Agriculture and Rural Affairs (農業農村部) issued a guideline titled Work Plan for Reduction and Replacement of Corn and Soybean Meal in Feed\* (《飼料中玉米豆粕減量替代工作方案》) in January 2021, in which the government department encouraged to lower the proportion of corn and soybean as simple feed and increase the proportion of feed additives such as lysine in animal feed products. This strategic focus is expected to enhance the consumption of amino acids in the coming years. Based on the anticipated growth in demand of amino acids, many market

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participants improved their manufacturing technologies in their current production sites in the PRC with an objective to increase production capacity so that they can give high-quality and steady supply of amino acids to their customers.

Based on the upcoming production plan of Changchun Dahe and Dacheng Bio-Tech, the table below illustrates the estimated quantity of corn kernels to be purchased by the Group during each of the three years ending 31 December 2026:

	Year ending 31 December					
	2024		2025		2026	
	<i>MT</i>	%	<i>MT</i>	%	<i>MT</i>	%
<b>Expected quantity to be purchased from:</b>						
The Nongtou Group	560,000	80	720,000	80	720,000	80
Independent suppliers	<u>140,000</u>	<u>20</u>	<u>180,000</u>	<u>20</u>	<u>180,000</u>	<u>20</u>
<b>Total expected quantity to be purchased by the Group</b>	<b><u>700,000</u></b>	<b><u>100</u></b>	<b><u>900,000</u></b>	<b><u>100</u></b>	<b><u>900,000</u></b>	<b><u>100</u></b>

After considering (i) the resumption plan of Dacheng Bio-Tech; (ii) the Group's expected utilization of corn processing capacity; and (iii) the outlook on the amino acids market in the PRC, we concur with the Directors that the procurement volume of corn kernels for each of the three years ending 31 December 2026 are fairly estimated.

On the other hand, the Group is still facing tight cash flow before the completion of the debt restructuring plan and the GSH Disposal. To alleviate the cash outflow situation, the Company always requests suppliers to grant better credit terms. The management of the Company indicated that most of independent suppliers (such as farmers) request cash payment upon delivery. Since the Group's available cash is very limited, the Group may not have a large sum of free cash on hand to meet the payment obligations of independent suppliers. The Nongtou Group is willing to provide better credit terms after the good delivery. The payment terms of the Nongtou could ease the Group's pressure of operating cash flow and support the Group's smooth operation. Under such circumstance, the Group adopted an assumption that 80.0% of total purchased corn kernels of the Group may be sourced from the Nongtou Group in deriving the proposed annual caps for each of the three years ending 31 December 2026. From another perspective, the proposed annual caps provides more flexibility for the Group to purchase sufficient level of corn kernels to support its normal operation and avoid any production disruption when the Group is still facing tight working capital. If the proposed annual caps are set at a lower level, there will be constraints for the Group to select suppliers and may cut off the Group's raw material supply. The Group is required to go through another Shareholder's approval process to revise the annual cap and this will delay the whole production schedule and hinder the Group's recovery path. As such, we consider that the assumption of 80% adopted by the Directors are favorable to the Group.

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The management of the Company adopted RMB2,500 per MT (equivalent to around HK\$2,841 per MT using an exchange of RMB0.88 per HK\$1) in calculating the proposed annual caps for each of the three years ending 31 December 2026. To assess the reasonableness of the estimated purchase price of corn kernels, we have reviewed the monthly procurement summary of Changchun Dahe and noticed that Changchun Dahe bought around 226,000 MT of corn kernels from independent suppliers and Nongtou Group with an average price of around RMB2,424 per MT during the nine months ended 30 September 2023. As disclosed in the above corn price chart, the average corn price in the PRC during the period from August 2023 to October 2023 is approximately RMB2,920 per MT (including value-added tax of 9%). Excluding the value-added tax of 9%, the average corn price in the PRC is around RMB2,679 per MT. Taking into account that (i) the average price of approximately RMB2,552 per MT derived from the actual procurement cost of the Group in 2023 of around RMB2,424 per MT and the recent corn price in the PRC of around RMB2,679 per MT; and (ii) the historical fluctuation of corn price was within the range of around 10%, we are of the view that the estimated purchase price of corn kernels of RMB2,500 per MT is justifiable.

Based on the above analysis, we consider that the bases for setting the annual caps for each of the three years ending 31 December 2026 are fair and reasonable.

### *Internal control procedures on potential reliance on the Nongtou Group*

As disclosed in the Letter from the Board, the Company has established internal control procedures to avoid any material or undue reliance on the Nongtou Group for the supply of corn kernels, and these procedures are summarized as below:

- (1) the procurement department of the Group will continuously update the list of suppliers of corn kernels, which normally consist of local farmers and other local suppliers, so as to maintain a diversified pool of alternative suppliers other than the Nongtou Group;
- (2) the Maximum Monthly Purchase Amount is normally set at 70% of the relevant annual caps divided by twelve months taking into accounts all relevant factors such as (i) the monthly production plan of the Group's production facilities which determines the actual demand of corn kernels; (ii) the availability of corn kernels in the open market (driven by corn harvest seasonality and market demand of corn kernels of the relevant month); and (iii) any other events that may cause delay of delivery of corn kernels (such as harsh weather conditions that persist over a period of time which may obstruct transportation);
- (3) the procurement department of the Group will obtain price quotations from two public sources prior to entering into each individual purchase agreements. Should the purchase price offered by the Nongtou Group is 20% lower than the market rates, being a price which is way below market price and therefore based on the Group's industry experience, the lower price may be indicative of inferior quality of the corn kernels supply. The procurement department would review the Group's list of suppliers and source corn kernels from alternative suppliers depending on the quality of products offered, the suppliers' availability and the terms and conditions of such order(s) in order to ensure the Group's product quality and production yield;

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- (4) the procurement department of the Group will monitor the transactions between the Group and the Nongtou Group on a monthly basis to maintain the purchase from the Nongtou Group within the Maximum Monthly Purchase Amount and ensure that the purchase price is at market rates and the accounting department will report to the management on timely basis;
- (5) the accounting department of the Group will prepare a monthly report for review by the independent non-executive Directors;
- (6) the internal control department of the Group will perform review annually and by request from the accounting department of the Group and the independent non-executive Directors when any suspected non-compliance is noted. Such findings will be reported to the management and the Audit Committee; and
- (7) the auditor of the Company will perform review of the transactions between the Group and the Nongtou Group on an annual basis and the findings will be reported to the Audit Committee.

To mitigate the reliance issue on the Nongtou Group, the Group maintain a list of at least 800 independent suppliers from which the Group can directly purchase corn kernels. As discussed above, Jilin is one of the largest corn producers in the China with many farmer cooperatives and corn planation enterprises, which usually request upfront deposits before corn delivery. The Group currently has difficulties to make upfront payments due to its liquidity issue. As advised by the Company, when the Group is in a relatively healthy financial situation, the Group may approach other suppliers to purchase corn.

From each procurement transaction, the procurement department must compare the price offered by the Nongtou Group against the market rates and if the purchase price offered by the Nongtou Group is 20% lower than the market rates or not in compliance with the pricing policy of the 2023 Master Supply Agreement, the Group may consider to source corn kernels from its independent suppliers. As advised by the management of the Company, based on their industry experience, the price level of corn indicates grading and quality of the corn and such 20% threshold provides a signal to the procurement department that the corn kernels offered by the Nongtou Group may be low-grading and/or have high level of moisture, as such the Group will approach other independent suppliers for sourcing corn kernels.

On a monthly basis, the procurement department must check whether the actual transaction amount with the Nongtou Group approaches the Maximum Monthly Purchase Amount. Such measure provides an early warning to the procurement department to consider alternative sources of corn kernels with similar quality and trading terms in order to minimize reliance on the Nongtou Group.

From an annual review perspective, the Group will perform its own internal control review on individual purchase orders placed with the Nongtou Group and engage the auditor of the Company to review the transactions contemplated under 2023 Master Supply Agreement in accordance with Rule 14A.56 of the Listing Rules. On top of the annual review performed by the Company, the external review by a professional party provides further safeguard to monitor the transaction level and procurement terms with the Nongtou Group.

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The purchase amount between the Group and the Nongtou Group for the year ended 31 December 2018, at which the Group was operating under a relatively normal business environment, was approximately HK\$320.0 million, representing around 63.2% of the relevant annual cap.

Having considered the historical purchase amount with the Nongtou Group and the above internal control procedures, we did not aware of undue reliance on the Nongtou Group which may bring possible negative impact to the Group; and the internal control measures is fairly structured with different level of hierarchy to avoid the Group placing material reliance on the Nongtou Group.

### 8. Internal control measures

Taking into account the measures to be taken by the Group in relation to transactions contemplated under the 2023 Master Supply Agreement, in particular (i) the Company regularly monitors the amount of transactions with Nongtou Group, which are within the proposed annual caps; (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review by the independent non-executive Directors and auditors of the Company on the actual execution of the transactions contemplated under the 2023 Master Supply Agreement); and (iii) the procurement department of the Group will check prevailing market prices of corn kernels from two public sources to ensure the purchase prices of corn kernels from the Nongtou Group are on normal commercial terms and no less favorable to the Group, we consider that the Company has appropriate measures in place to govern the Group in carrying out the transactions under the 2023 Master Supply Agreement, thereby safeguarding the interests of the Company and the Shareholders thereunder.

### RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that (i) the 2023 Master Supply Agreement are carried out in the ordinary and usual course of business of the Group; (ii) the terms of 2023 Master Supply Agreement are on normal commercial terms, and are fair and reasonable; (iii) the 2023 Master Supply Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the basis of determining the annual caps for each of the three years ending 31 December 2026 in respect of the 2023 Master Supply Agreement is fair and reasonable. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend to the Independent Shareholders, to vote in favor of the 2023 Master Supply Agreement and the proposed annual caps thereof at the EGM.

Yours faithfully,

For and on behalf

**Octal Capital Limited**

**Alan Fung**

**Louis Chan**

*Managing Director*

*Director*

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## LETTER FROM OCTAL CAPITAL

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*Note:*

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' Interest and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, Mr. Wang Guicheng, being an executive Director, had the following interests in the shares of the Company and Global Sweeteners Holdings Limited (“GSH”), 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: 03889) (as an associated corporation (within the meaning of Part XV of the SFO) of the Company) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) entered, pursuant to section 352 of the SFO, in the register referred to therein; and (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules:

Name of company	Nature of interest	Class of shares	Number of shares held	Approximate shareholding percentage
The Company	Beneficial owner	Ordinary	500,000	0.01%
GSH	Beneficial owner	Ordinary	300,000	0.02%

Save as disclosed above, to the best of the knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered, pursuant to section 352 of the SFO, in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Yang Jian, an executive Director, is also a director and the general manager of Nongtou. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest of short position in the Shares of underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Substantial Shareholders' Interests in Shares and Underlying Shares**

As at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, the persons (other than a Director or chief executives of the Company) (a) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group, were as follows:

Name of Shareholder	Capacity/ nature of interest	Number of Shares held <i>(Note 1)</i>	Percentage of the Company's issued share capital
Modern Agricultural	Beneficial owner <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
Modern Agricultural Industry Investment Holdings Limited (" <b>Modern Agricultural Holdings</b> ")	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
PRC LLP	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Limited*) (" <b>GP</b> ")	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
Nongtou	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
Jilin SASAC	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
HK Bloom Investment Limited (" <b>HK Bloom</b> ")	Beneficial owner	2,508,407,357 (L)	28.16

Name of Shareholder	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Li Zhenghao	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Sun Zhen	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Bank of Jilin Co., Ltd	Person having a security interests in shares (Note 5)	1,749,858,609 (L)	19.64

*Notes:*

1. The letter "L" denotes the Shareholders' long position in the Shares.
2. The entire issued share capital of the Modern Agricultural is held by Modern Agricultural Holdings which is in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP is GP. As at the Latest Practicable Date, the investment capital of PRC LLP is owned as to 60.0% by Nongtou (Nongtou is controlled by Jilin SASAC), as to approximately 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.\*) and as to approximately 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.\*). Accordingly, each of Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by the Modern Agricultural in the Company under the SFO.
3. These interests represent (i) 3,135,509,196 Shares and (ii) the convertible bonds which may be converted into 5,172,759,833 conversion Shares upon full conversion based on the adjusted conversion price of HK\$0.21 per conversion Share.
4. Mr. Li Zhenghao and Ms. Sun Zhen are deemed to be interested in 28.16% of interest in the Company through their interest in 2,508,407,357 Shares as interest in controlled corporation, namely, HK Bloom.
5. Bank of Jilin Co., Ltd is a person having a security interest in Shares.

Save as disclosed herein, there was no person known to any Directors or chief executives of the Company, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other member of the Group.

### 3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

Save for (i) Mr. Yang Jian's interest in (a) the 2023 Master Supply Agreement and (b) the subscription agreement dated 30 November 2023 (the "**Subscription Agreement**") entered into between (i) the Company, as issuer, and (ii) 吉林省利亨股權投資合夥企業(有限合夥) (Jilin Province Liheng Equity Investment Partnership (Limited Partnership)\*) and 吉林省元亨股權投資合夥企業(有限合夥) (Jilin Province Yuanheng Equity Investment Partnership (Limited Partnership)\*), as subscribers, in relation to the subscription of non-voting convertible preference shares, due to his positions as both a director and the general manager of Nongtou; and (ii) Mr. Li Yuewen's interest in the Subscription Agreement due to his positions as both a non-executive Director and the deputy general manager of 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.\*), none of the Directors was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group as at the Latest Practicable Date. For further details of the Subscription Agreement, please refer to the announcement of the Company dated 30 November 2023.

### 4. SERVICE AGREEMENT

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company or the relevant members of the Group within one year without payment of compensation other than statutory compensation.

### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that save as disclosed below, there is no material adverse change in the financial or trading position of the Group subsequent to 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date:

As disclosed in the joint announcement of the Company and GSH dated 25 August 2023, the loans owed by 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.\*) ("**Jinzhou Yuancheng**"), an indirect non-wholly-owned subsidiary of the Company and an indirect wholly-owned subsidiary of GSH, to 錦州銀行股份有限公司鐵北支行 (Tiebei Branch of Bank of Jinzhou Co., Ltd.\*) ("**Tiebei BOJ**") pursuant to the loan agreements respectively dated 25 August 2020 and 27 December 2021 entered into between Jinzhou Yuancheng and Tiebei BOJ (the "**Tiebei BOJ Loans**") have become immediately due and payable. The Tiebei BOJ Loans are secured by mortgage of certain properties owned by Jinzhou Yuancheng, and also guaranteed by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.\*), an indirect wholly-owned subsidiary of GSH. Jinzhou Yuancheng has defaulted in the repayment of the Tiebei BOJ Loans. As at the Latest Practicable Date, the outstanding principal amount under the Tiebei BOJ Loans is RMB212.5 million.

**6. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group which would otherwise be required to be disclosed under Rule 8.10 of the Listing Rules if any of such Directors or his or her associates was a controlling Shareholder.

**7. QUALIFICATIONS AND CONSENT OF EXPERT**

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Octal Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Octal Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, its letter and summary of its opinion and reference to its name and logo in the form and context in which they respectively appears.

As at the Latest Practicable Date, Octal Capital was not beneficially interested in any share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or have any direct or indirect interest in any assets which since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or lease, or was proposed to be acquired or disposed of by, or leased to any member of the Group.

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.globalbiochem.com](http://www.globalbiochem.com)) during the period from the date of this circular up to and including the date of the EGM:

- (a) the Existing Master Supply Agreement; and
- (b) the 2023 Master Supply Agreement.

**9. MISCELLANEOUS**

The English text of this circular shall prevail over its Chinese text.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the physical extraordinary general meeting (the “**Meeting**”) of Global Bio-chem Technology Group Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 21 December 2023 to consider and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “**THAT** the 2023 master supply agreement (“**2023 Master Supply Agreement**”) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) dated 1 November 2023 entered into between 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.\*) (for itself and on behalf of its subsidiaries from time to time) (the “**Nongtou Group**”) as supplier and the Company (for itself and on behalf of its subsidiaries) as purchaser in relation to the supply of corn kernels by the Nongtou Group to the Group, the transactions contemplated thereunder and its expected annual caps of 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, be and are hereby approved and that any directors of the Company be and is hereby authorised to take any action and sign any document (under seal, if necessary) as he/she considers necessary, desirable or expedient in connection with the 2023 Master Supply Agreement or the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the 2023 Master Supply Agreement.”

By order of the board of directors  
**Global Bio-chem Technology Group Company Limited**  
**Yang Jian**  
*Chairman*

Hong Kong, 6 December 2023

\* *for identification purposes only*

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## NOTICE OF EGM

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*Registered office:*

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of business in Hong Kong:*

Suites 1002, 10<sup>th</sup> Floor  
Tower A, Cheung Kei Center  
18 Hung Luen Road  
Hung Hom, Kowloon  
Hong Kong

*Notes:*

1. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be Shareholder.
2. In the case of joint holders of shares of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share of the Company shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy together with a power of attorney or other authority (under which it is signed or a certified copy thereof), if any, must be deposited at the offices of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time of the Meeting (i.e. at or before 11:00 a.m. on Tuesday, 19 December 2023 (Hong Kong time)) or any adjournment or postponement thereof.
4. Delivery of an instrument appointing a proxy should not preclude a Shareholder from attending and voting in person at the above Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed on Thursday, 21 December 2023, during which no transfer of shares will be effected. In order to qualify for the attendance at the Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch registrars in Hong Kong at the address stated in note 3 above no later than 4:30 p.m. on Wednesday, 20 December 2023 for registration.
6. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the Meeting, the Meeting will be adjourned, changed or postponed in accordance with the articles of association of the Company. The Company will post an announcement on the websites of The Stock Exchange of Hong Kong Limited and the Company to notify Shareholders of the date, time and place of the rescheduled meeting.
7. The Meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situation.

*As at the date of this notice, the board of directors of the Company comprises two executive directors, namely, Mr. Yang Jian and Mr. Wang Guicheng; one non-executive director, namely, Mr. Li Yuewen; and three independent non-executive directors, namely, Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu.*