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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)**

### **MAJOR AND CONNECTED TRANSACTIONS ENERGY MANAGEMENT CONTRACT AND PROVISION OF FINANCIAL ASSISTANCE**

#### **ENERGY MANAGEMENT CONTRACT**

On 27 May 2024, Changchun Dahe, a wholly-owned subsidiary of the Company, and Modern Agricultural Fund entered into the Energy Management Contract in relation to the implementation of Changchun Dahe's refurbishment project through energy contract management. Pursuant to the Energy Management Contract, Modern Agricultural Fund or the Modern Agricultural SPV will invest, construct, maintain and manage the Boiler Facilities for Changchun Dahe to implement the refurbishment project in its production site, and the title of the Boiler Facilities shall be vested in Changchun Dahe upon expiry of the Energy Efficiency Sharing Period.

#### **PROVISION OF FINANCIAL ASSISTANCE**

As part of the funding arrangement for the required funds under the Energy Management Contract, Modern Agricultural Fund, with its state-owned background, has been negotiating with Jilin Branch CDB for the Potential Loan of not more than RMB200,000,000 to be provided under the Potential Loan Agreement. It is currently expected that the Borrower(s) will be the Modern Agricultural SPV, and may or may not include Changchun Dahe, as Changchun Dahe may or may not be required to join as a Borrower under the Potential Loan Agreement subject to the internal clearance of Jilin Branch CDB. The Potential Loan Agreement is expected to be jointly and severally guaranteed by Nongtou and Dacheng International Trade under the Potential Joint Guarantees.

Should Changchun Dahe ultimately join as a Borrower under the Potential Loan Agreement, the entering into of the Potential Loan Agreement by Changchun Dahe as one of the Borrowers and the possible execution of the Potential Joint Guarantees by Dacheng International Trade shall constitute the Provision of Financial Assistance.

Subject to the obtaining of the required Independent Shareholders' approval for the Energy Management Contract, the Company is seeking a prior mandate from the Independent Shareholders before Changchun Dahe enters into the Potential Loan Agreement and the possible execution of the Potential Joint Guarantees by Dacheng International Trade.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, approximately 35.2% of the issued share capital of the Company is held by Modern Agricultural, which is indirectly wholly owned by PRC LLP. Modern Agricultural Fund is the sole general partner of PRC LLP, and 60.0% of the investment capital of PRC LLP is owned by Nongtou. Modern Agricultural Fund or the Modern Agricultural SPV, as at the date of this announcement, is wholly-owned by Nongtou. As such, the transactions contemplated under each of (i) the Energy Management Contract; (ii) the Potential Loan Agreement and; (iii) the Potential Joint Guarantees constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under each of (i) the Energy Management Contract; (ii) the Potential Loan Agreement; and (iii) the Potential Joint Guarantees exceed 25% but are all less than 75%, under Rule 14.07 of the Listing Rules, each of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees and the transactions contemplated thereunder constitute major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with HKFRS 16, the transaction under the Energy Management Contract is classified as a finance lease and the Group will recognise right-of-use assets in relation to the Boiler Facilities. The Energy Management Contract is subject to a fixed term and is regarded as a one-off acquisition of capital asset (i.e. the Boiler Facilities) under the Listing Rules.

## **GENERAL**

An EGM will be held for Independent Shareholders to consider, and if thought fit, approve the major and connected transactions contemplated under the Energy Management Contract and the prior mandate to be granted for the connected transactions in respect of the Provision of Financial Assistance under the Potential Loan Agreement and the Potential Joint Guarantees.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders (i) as to whether the connected transaction under each of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees are on normal commercial terms and whether or not 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 (ii) as to voting, taking into account the recommendations of the IFA. In this connection, Octal Capital Limited has been appointed as the IFA to advise the IBC and the Independent Shareholders. The IBC will formally provide its views in the circular to be sent to the Independent Shareholders after considering the advice of the IFA.

A circular containing, among other things, (i) further details of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees; (ii) a letter from the IBC to the Independent Shareholders in relation to the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees; (iii) a letter of advice from the IFA to the IBC and the Independent Shareholders in relation to the aforesaid; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 19 June 2024.

## **INTRODUCTION**

On 27 May 2024, Changchun Dahe, a wholly-owned subsidiary of the Company, and Modern Agricultural Fund entered into the Energy Management Contract in relation to the implementation of Changchun Dahe's refurbishment project through energy contract management. Pursuant to the Energy Management Contract, Modern Agricultural Fund or the Modern Agricultural SPV will invest, construct, maintain and manage the Boiler Facilities for Changchun Dahe to implement the refurbishment project in its production site, and the title of the Boiler Facilities will be vested in Changchun Dahe upon expiry of the Energy Efficiency Sharing Period.

## **ENERGY MANAGEMENT CONTRACT**

### **Principal terms**

The principal terms of the Energy Management Contract are summarised below:

Date: 27 May 2024

Parties: (i) Changchun Dahe; and  
(ii) Modern Agricultural Fund

Subject matter: Changchun Dahe shall cooperate with Modern Agricultural Fund or the Modern Agricultural SPV to implement the Energy Management Contract, pursuant to which Modern Agricultural Fund will invest, construct, maintain and manage of the Boiler Facilities for Changchun Dahe

After the Boiler Facilities are completed and put into operation, Changchun Dahe will use the power generated by the Boiler Facilities for its daily production, thus increasing its energy usage efficiency.

**Duration:** 8 years from the date of the Energy Management Contract (2 years for the construction phase of the Boiler Facilities and 6 years of Energy Efficiency Sharing Period (as defined below))

**Conditions Precedent:** The Energy Management Contract is conditional upon the non-waivable conditions precedent of (i) the Company having obtained the requisite Independent Shareholders' approval in respect of the Energy Management Contract and the transactions contemplated thereunder in the EGM and (ii) Modern Agricultural Fund having obtained the required internal approval for investment in accordance with Jilin SASAC Measures for Supervision and Management of Enterprise Investment (吉林省國資委監管企業投資監督管理辦法).

**Consideration:** During the 72 months commencing on the date which the Boiler Facilities have passed the relevant test(s) to be accepted as completed and ready for operation (the "**Energy Efficiency Sharing Period**"), each of Changchun Dahe and Modern Agricultural Fund shall each be entitled to the net energy saving revenue, which is estimated to be approximately RMB295,440,000 (excluding discount expenses) (the "**Estimated Net Energy Saving Revenue**"), at the ratio of 20% and 80%, respectively (the "**Sharing Ratio**"). The net energy saving revenue shall be determined by tonnes of coal expected to be saved times the expect price of coal per tonnes.

Modern Agricultural Fund shall therefore be entitled to a net energy saving revenue of approximately RMB236,350,000 (the "**Sharing Revenue**") pursuant to the Sharing Ratio. If the actual net energy saving revenue fall short of the Estimated Net Energy Saving Revenue, causing Modern Agricultural Fund's ultimate entitlement fall short of agreed Sharing Revenue due the fault of Changchun Dahe, Modern Agricultural Fund has the right to seek for recovery of the shortfall amount.

Payment: The Sharing Revenue of approximately RMB9,850,000 shall be payable by Changchun Dahe in cash to Modern Agricultural Fund every three months during the Energy Efficiency Sharing Period, subject to the provision by Modern Agricultural Fund invoice for payment for such sum.

Title to the Boiler Facilities: Title to the Boiler Facilities shall remain with Modern Agricultural Fund during the construction phase of the Boiler Facilities and during the Energy Efficiency Sharing Period. Upon expiry of the Energy Efficiency Sharing Period and full settlement of the Sharing Revenue, the title to the Boiler Facilities shall be vested in Changchun Dahe.

## **PROVISION OF FINANCIAL ASSISTANCE**

As part of the funding arrangement for the required funds under the Energy Management Contract, Modern Agricultural Fund, with its state-owned background, has been negotiating with Jilin Branch CDB for the Potential Loan of not more than RMB200,000,000 to be provided under the Potential Loan Agreement. It is currently expected that the borrower(s) under the Potential Loan Agreement will be Modern Agricultural SPV, and may or may not include Changchun Dahe, as Changchun Dahe may or may not be required to join as a borrower under the Potential Loan Agreement subject to the internal clearance of Jilin Branch CDB. The Potential Loan Agreement is expected to be guaranteed by Nongtou and Dacheng International Trade under the Potential Joint Guarantees.

Should Changchun Dahe ultimately join as a borrower under the Potential Loan Agreement, the entering into of the Potential Loan Agreement by Changchun Dahe as one of the borrowers and the possible execution of the Potential Joint Guarantees by Dacheng International Trade shall constitute the Provision of Financial Assistance.

Subject to the obtaining of the required Independent Shareholders' approval for the Energy Management Contract, the Company is seeking a prior mandate from the Independent Shareholders before Changchun Dahe enters into the Potential Loan Agreement and the possible execution of the Potential Joint Guarantees by Dacheng International Trade.

## **Proposed terms of the Potential Loan Agreement**

The purposes of the Potential Loan Agreement are to finance the Energy Management Contract regarding the Boiler Facilities. The Potential Loan granted by Jilin Branch CDB will be a special purpose loan specifically granted for any funding requirements under the Energy Management Contract and the Boiler Facilities, as such, Jilin Branch CDB has preliminarily expressed their intention in requiring Changchun Dahe to be one of the borrowers under the Potential Loan Agreement to comply with the borrowing policy of Jilin Branch CDB and subject to further internal discussion of Jilin Branch CDB.

The principal terms of the Potential Loan Agreement are expected to be as follows:

Borrowers:	(i) Modern Agricultural SPV; and  (ii) Changchun Dahe (if so required)  (collectively, the “ <b>Borrowers</b> ”)
Guarantors:	Nongtou and Dacheng International Trade
Lender:	Jilin Branch CDB
Loan Amount:	not more than RMB200,000,000
Interest Rate:	not more than 4.0% per annum
Term:	not more than 8 years
Securities:	Secured by the pledge of the Boiler Facilities
Purpose:	the Potential Loan shall be applied and used by the Borrowers for the purpose of performing the Energy Management Contract

### **Potential Joint Guarantees**

The Potential Loan Agreement is expected to be guaranteed jointly and severally by Nongtou and Dacheng International Trade under the Potential Joint Guarantees to be executed by them in favour of Jilin Branch CDB. The maximum liability of each of Nongtou and Dacheng International Trade under the Potential Joint Guarantees shall not exceed the maximum amount of the Potential Loan of RMB200,000,000 and the term of the Potential Joint Guarantees shall be for a term of not more than 8 years.

The final terms of the Potential Loan Agreement and the Potential Joint Guarantees are subject to determination by the parties.

### **REASONS FOR AND BENEFITS OF THE ENERGY MANAGEMENT CONTRACT AND THE PROVISION OF FINANCIAL ASSISTANCE**

As disclosed in the Company’s annual report for the year ended 31 December 2023, the production facilities of Changchun Dahe resumed production in December 2022 and remained in normal operation throughout the year 2023 and contributed a significant amount of revenue to the Group during the year. Despite the significant financial contribution of Changchun Dahe to the Group, for nearly 20 years since its production site were established, Changchun Dahe has been using mid-temperature/sub-high-pressure boilers and supporting generator sets. In view of the widely use of

high-temperature/high-pressure and ultra-high-temperature/ultra-high-pressure boilers in the PRC with greater cost-efficiency, and taking into account the sustainable development of the Group as a whole, there is a need for Changchun Dahe to implement a refurbishment project in its production site and undergo a systematic upgrade of its boiler units in order to reduce costs and improve its market competitiveness.

Through the Energy Management Contract, Changchun Dahe will be able to pay the investment costs of its refurbishment project and construction of the Boiler Facilities by installments out of the Estimated Net Energy Saving Revenue, thereby easing pressure on the Group's internal capital resources after taking into account of Changchun Dahe's current financial position, including its net liability position and the fact that all of its assets are currently under seizure orders. Upon expiry of the Energy Efficiency Sharing Period, the title to the Boiler Facilities shall be vested in Changchun Dahe, which means that the net energy saving revenue subsequently generated will be exclusive to Changchun Dahe and the Group from then on, further strengthening the Group's financial position by improving cost-effectiveness of Changchun Dahe's production.

Taking into consideration the aforementioned benefits of the Energy Management Contract, the Company considers that the entering into of the Potential Loan Agreement and the Potential Joint Guarantees, the sole purpose of which is to finance the execution of the Energy Management Contract, is beneficial to the Group as a whole. Furthermore, the Potential Loan, being a special purpose loan, is expected to be placed in a separate bank account of Modern Agricultural SPV that will be monitored by Jilin Branch CDB, and the usage of the Potential Loan will be subject to the approval of Jilin Branch CDB. The primary source of funds for the repayment under the Potential Loan Agreement is expected to be the Sharing Revenue. Therefore it is expected that the repayment obligation under the Potential Loan Agreement will not cause significant burden and pressure on the financials of the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the IFA) are of the view that the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees are on normal commercial terms or better and although not the ordinary and usual course of business of the Group, the terms of the Energy Management Contract and the Potential Loan Agreement and the Potential Joint Guarantees are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL INFORMATION ABOUT THE PARTIES**

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

Modern Agricultural Fund is principally engaged in the investment management, entrusted management of equity investments and equity investment consulting services. As at the date of this announcement, Modern Agricultural Fund is the sole general partner of PRC LLP, and is wholly-owned by 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 date of this announcement, Nongtou is owned as to 90.0% by the State-owned Assets Supervision and Administration Commission of Jilin Provincial People's Government (吉林省人民政府國有資產監督管理委員會), and as to 10.0% by Jilin Province Department of Finance.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, approximately 35.2% of the issued share capital of the Company is held by Modern Agricultural, which is indirectly wholly owned by PRC LLP. Modern Agricultural Fund is the sole general partner of PRC LLP, and 60% of the investment capital of PRC LLP is owned by Nongtou. Modern Agricultural Fund, as at the date of this announcement, is wholly-owned by Nongtou. As such, the transactions contemplated under each of (i) the Energy Management Contract; (ii) the Potential Loan Agreement; and (iii) the Potential Joint Guarantees constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under each of (i) the Energy Management Contract; (ii) the Potential Loan Agreement; and (iii) the Potential Joint Guarantees exceed 25% but are all less than 75%, under Rule 14.07 of the Listing Rules, each of the Energy Management Contract, the Potential Loan Agreement, the Potential Joint Guarantees and the transactions contemplated thereunder constitute major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with HKFRS16, the transaction under the Energy Management Contract is classified as a finance lease and Group will recognise right-of-use assets in relation to the Boiler Facilities. The Energy Management Contract is subject to a fixed term and is regarded as a one-off acquisition of capital asset (i.e. the Boiler Facilities) under the Listing Rules.

## **GENERAL**

An EGM will be held for Independent Shareholders to consider, and if thought fit, approve the major and connected transactions contemplated under the Energy Management Contract and the prior mandate to be granted for the connected transactions in respect of the Provision of Financial Assistance under the Potential Loan Agreement and the Potential Joint Guarantees.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders (i) as to whether the connected transaction under each of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees are on normal commercial terms and whether or not 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 (ii) as to voting, taking into account the recommendations of the IFA. In this connection, Octal



Capital Limited has been appointed as the IFA to advise the IBC and the Independent Shareholders. The IBC will formally provide its views in the circular to be sent to the Independent Shareholders after considering the advice of the IFA.

A circular containing, among other things, (i) further details of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees; (ii) a letter from the IBC to the Independent Shareholders in relation to the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees; (iii) a letter of advice from the IFA to the IBC and the Independent Shareholders in relation to the aforesaid; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 19 June 2024.

## DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Boiler Facilities”	a set of 150t/h ultra-high-temperature and ultra-high-pressure heating system together with its ancillary facilities
“Borrowers”	has the meaning as defined under the paragraph headed “Provision of Financial Assistance – Proposed terms of the Potential Loan Agreement” in this announcement
“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
“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)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Dacheng International Trade”	長春大成實業集團進出口有限公司 (Changchun Dacheng Industrial Group International Trade Co., Ltd.*), a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company

“EGM”	an extraordinary general meeting of the Company to be held and convened to approve the Energy Management Contract, the prior mandate in respect of the Potential Loan Agreement, the Potential Joint Guarantees and the respective transactions contemplated thereunder
“Energy Efficiency Sharing Period”	has the meaning defined in the paragraph headed “Energy Management Contract – Principal terms” in this announcement
“Energy Management Contract”	an energy management contract dated 27 May 2024 and entered into between Changchun Dahe and Modern Agricultural Fund in relation to the investment, construction, maintenance and management of the Boiler Facilities
“Estimated Net Energy Saving Revenue”	has the meaning defined in the paragraph “Energy Management Contract – Principal terms” in this announcement
“Group”	the Company and its subsidiaries from time to time
“Guarantors”	Nongtou and the Dacheng International Trade
“HKFRSs”	the Hong Kong Financial Reporting Standards
“IBC”	the independent board committee of the Board comprising Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the connected transactions contemplated under each of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees
“IFA”	the independent financial adviser to be appointed by the Board and approved by the IBC for the purpose of advising the IBC and the Independent Shareholders in relation to the connected transactions contemplated under each of the Energy Management Contract, the Potential Loan Agreement and the Potential Joint Guarantees
“Independent Shareholders”	Shareholders other than Modern Agricultural, Nongtou and its associates, and all other Shareholders interested in each of the Energy Management Contract, the Potential Loan Agreement, the Potential Joint Guarantees and the transactions contemplated thereunder

“Jilin Branch CDB”	Jilin Branch of China Development Bank (國家開發銀行吉林省分行)
“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 date of this announcement
“Modern Agricultural Fund”	吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Co., Ltd.*)
“Modern Agricultural SPV”	Subject to the consent of Changchun Dahe, a special purpose vehicle to be established and wholly-owned by Modern Agricultural Fund to be responsible for the Energy Management Contract
“Nongtou”	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*), a controlling Shareholder, which owns 60% of the investment capital of PRC LLP, which indirectly wholly-owns Modern Agricultural
“Potential Loan”	the potential loan in an amount of not more than RMB200,000,000 to be granted to Modern Agricultural SPV and Changchun Dahe (if so required) by Jilin Branch CDB, further details of which are set out in the paragraph headed “Provision of Financial Assistance – Proposed terms of the Potential Loan Agreement” in this announcement
“Potential Loan Agreement”	the potential loan agreement to be entered into by Modern Agricultural SPV and Changchun Dahe (if so required) as Borrowers and Jilin Branch CDB as lender in respect of the Potential Loan, further details of which are set out in the paragraph headed “Provision of Financial Assistance – Proposed terms of the Potential Loan Agreement” in this announcement
“Potential Joint Guarantees”	the potential joint guarantees to be executed by Nongtou and Dacheng International Trade in favour of Jilin Branch CDB, further details of which are set out in the paragraph headed “Provision of Financial Assistance – Potential Joint Guarantees” in this announcement

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“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)*)
“Provision of Financial Assistance”	the provision of financial assistance by the Group to Modern Agricultural SPV by the entering into of the Potential Loan Agreement and the possible execution of the Potential Joint Guarantees
“RMB”	Renminbi, the lawful currency of the PRC
“Sharing Ratio”	has the meaning defined in the paragraph headed “Energy Management Contract – Principal terms” in this announcement
“Sharing Revenue”	has the meaning defined in the paragraph headed “Energy Management Contract – Principal terms” in this announcement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board  
**Global Bio-chem Technology Group Company Limited**  
**Wang Cheng**  
*Chairman*

Hong Kong, 27 May 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Wang Cheng 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.*

*\* For identification purposes only*