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If you have sold or transferred all your shares in **Global Sweeteners Holdings 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 SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

- (1) SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ENTIRE EQUITY INTERESTS IN DIHAO
COMPANIES;**
- (2) SPECIAL DEAL, MAJOR AND CONNECTED TRANSACTION IN RELATION
TO PROVISION OF COUNTER-GUARANTEE AND INDEMNITY;**
- (3) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND**
- (4) NOTICE OF EGM**

**Independent Financial Adviser to
Independent Board Committee and Independent Shareholders**



Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 11 to 42 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 43 to 44 of this circular. A letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 79 of this circular.

A notice convening the EGM to be held at Salon 1, 7/F, Harbour Plaza Metropolis Hotel, 7 Metropolis Drive, Hung Hom, Kowloon, Hong Kong at 10:30 a.m. on Tuesday, 20 June 2023 is set out on pages 90 to 92 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 Investor Services Limited at 17/F, 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 10:30 a.m. on Sunday, 18 June 2023 (Hong Kong time)) or any adjournment 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. All times and dates specified herein refer to Hong Kong local times and dates.

31 May 2023

* for identification purposes only

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto in the Listing Rules or the Takeovers Code (as the case may be)
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Business Day(s)”	a day (excluding Saturday, Sunday, public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“CB Completion”	CB First Completion and CB Second Completion
“CB First Completion”	completion of the issuance of the Convertible Bonds in the aggregate principal amount of RMB60.0 million by the Company and the subscription of the aforesaid Convertible Bonds by the Joint Offerors, as subscribers, on the CB First Completion Date pursuant to the terms of the CB Subscription Agreement
“CB First Completion Date”	the 60th Business Day following the date on which the conditions precedent (other than conditions precedent that are stipulated to be fulfilled on the date of CB First Completion) in respect of CB First Completion as set out in the CB Subscription Agreement are fulfilled or waived (as the case may be), or such other date as the Company and the Joint Offerors, as subscribers, shall agree in writing
“CB Second Completion”	completion of the issuance of the remaining Convertible Bonds in the aggregate principal amount of RMB60.0 million and the subscription of the aforesaid remaining Convertible Bonds by the Joint Offerors, as subscribers, on the CB Second Completion Date pursuant to the terms of the CB Subscription Agreement

DEFINITIONS

“CB Second Completion Date”	a business day falling on or within six calendar months from the CB First Completion Date as notified by the Company to the Joint Offerors, as subscribers, by not less than one month’s written notice, or such other date as the Company and the Joint Offerors, as subscribers, shall agree in writing
“CB Subscription”	the subscription of the Convertible Bonds under Specific Mandate pursuant to the terms of the CB Subscription Agreement
“CB Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Joint Offerors as subscribers dated 6 April 2023 in relation to the CB Subscription
“Changchun Dahe”	長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.*), an indirect wholly-owned subsidiary of GBT
“Company”	Global Sweeteners Holdings 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Date”	the date on which the Conversion Rights are exercised
“Conversion Price”	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the Convertible Bonds, being initially HK\$0.1 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights pursuant to the terms and conditions of the Convertible Bonds attaching to each Convertible Bond to convert the principal amount or a part thereof into Shares
“Conversion Shares”	new Shares fall to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
“Convertible Bonds”	the RMB120.0 million (equivalent to approximately HK\$138.0 million), 3 year, 5 per cent. convertible bonds to be issued by the Company to the Joint Offerors as subscribers in accordance with the terms of the CB Subscription Agreement

DEFINITIONS

“Dacheng Bio-Tech”	長春大成生物科技開發有限公司 (Changchun Dacheng Bio-Tech Development Co., Ltd.*), an indirect wholly-owned subsidiary of GBT
“Dihao Companies”	Dihao Crystal Sugar and Dihao Foodstuff, the companies to be disposed of under the Dihao SPAs
“Dihao Completion”	completion of the sale and purchase of the Dihao Sale Interests on the Dihao Completion Date in accordance with the Dihao SPAs
“Dihao Completion Date”	the tenth Business Day after all conditions precedent (other than conditions precedent that are stipulated to be fulfilled on the Dihao Completion Date) are being fulfilled or waived (as the case may be) or any other date as agreed by the parties in writing under the Dihao SPAs
“Dihao Crystal Sugar”	長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*), an indirect wholly-owned subsidiary of the Company as at the date of the Dihao SPA II and prior to Dihao Completion
“Dihao Crystal Sugar Sale Interest”	the entire registered capital of Dihao Crystal Sugar for an aggregate sum of USD22,200,000, which had been fully paid-up and owned as to approximately 73.0% by Dihao Vendor A and as to approximately 27.0% by Dihao Vendor C
“Dihao Foodstuff”	長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*), an indirect wholly-owned subsidiary of the Company as at the date of the Dihao SPA I and prior to Dihao Completion
“Dihao Foodstuff Guarantee”	the guarantee provided by the Company to Nongan ABC in respect of the debts to be owed by Dihao Foodstuff to Nongan ABC under a guarantee agreement dated 20 May 2019, being the underlying guarantee to which the GBT Counter-guarantee relates
“Dihao Foodstuff Loan”	a loan with a principal amount of RMB180.0 million and a term of two years from the drawdown date, i.e. 18 June 2019, granted by Nongan ABC to Dihao Foodstuff for debts refinancing purposes, which was subsequently transferred by 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) (acting on behalf of Nongan ABC) to Jilin Cinda

DEFINITIONS

“Dihao Foodstuff Sale Interest”	the entire registered capital of Dihao Foodstuff for an aggregate sum of RMB725,100,000, RMB307,574,472 of which had been paid up and owned as to approximately 31.4% by Dihao Vendor A and approximately 68.6% by Dihao Vendor B
“Dihao Long Stop Date”	30 September 2023 or such other date as the Dihao Vendors and the Dihao Purchaser may agree in writing, the long stop date under the Dihao SPAs
“Dihao Purchaser”	Global Bio-Chem Technology (HK) Limited (大成生化科技集團有限公司), a direct wholly-owned subsidiary of GBT, the purchaser under the Dihao SPAs
“Dihao Sale Interests”	collectively, the Dihao Foodstuff Sale Interest and the Dihao Crystal Sugar Sale Interest
“Dihao SPA I”	the sale and purchase agreement dated 6 April 2023 entered into between the Dihao Vendor A and Dihao Vendor B and the Dihao Purchaser for the acquisition of the Dihao Foodstuff Sale Interest
“Dihao SPA II”	the sale and purchase agreement dated 6 April 2023 entered into between the Dihao Vendor A and Dihao Vendor C and the Dihao Purchaser for the acquisition of the Dihao Crystal Sugar Sale Interest
“Dihao SPAs”	the collectively, Dihao SPA I and Dihao SPA II for the acquisition of the Dihao Sale Interests
“Dihao Transfer”	the transfer of the Dihao Sale Interests from the Group to GBT Group under the Dihao SPAs
“Dihao Vendor A”	Global Sweeteners (China) Limited (大成澱粉糖(中國)有限公司), a wholly-owned subsidiary of the Company and one of the Dihao Vendors under the Dihao SPA I and Dihao SPA II
“Dihao Vendor B”	Global Starch (Changchun) Investments Limited (大成澱粉(長春)投資有限公司), a wholly-owned subsidiary of the Company and one of the Dihao Vendors under the Dihao SPA I
“Dihao Vendor C”	Global Sorbitol (H.K.) Company Limited (大成山梨醇(香港)有限公司), a wholly-owned subsidiary of the Company and one of the Dihao Vendors under the Dihao SPA II

DEFINITIONS

“Dihao Vendors”	Dihao Vendor A, Dihao Vendor B and Dihao Vendor C, which are the vendors under the Dihao SPAs
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Salon 1, 7/F, Harbour Plaza Metropolis Hotel, 7 Metropolis Drive, Hunghom, Kowloon, Hong Kong at 10:30 a.m. on Tuesday, 20 June 2023, the notice of which is set out on pages 90 to 92 of this circular, and any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“GBT”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00809), which directly held 500,000 Shares (representing approximately 0.03% of the entire issued share capital of the Company) and indirectly held 977,778,000 Shares (representing approximately 64.01% of the entire issued share capital of the Company) through its wholly-owned subsidiary Global Corn as at the date of the GSH SPA and as at the Latest Practicable Date
“GBT Counter-guarantee”	the counter-guarantee and indemnity to be provided by GBT to the Company in respect of the obligations and liabilities the Company may incur and suffer under the Dihao Foodstuff Guarantee
“GBT Group”	GBT and its subsidiaries which, for the purpose of this circular, excludes the Group
“Global Corn”	Global Corn Bio-Chem Technology Company Limited, a wholly-owned subsidiary of GBT, which held 977,778,000 Shares (representing approximately 64.01% of the entire issued share capital of the Company) as at the date of the GSH SPA and as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“GSH SPA”	the sale and purchase agreement dated 6 April 2023 entered into by the Joint Offerors and Global Corn for the acquisition of the GSH Sale Shares by the Joint Offerors
“GSH Completion”	completion of the sale and purchase of the GSH Sale Shares in accordance with the GSH SPA, which shall take place on the GSH Completion Date

DEFINITIONS

“GSH Completion Date”	the fifth Business Day after all conditions precedent (other than conditions precedent that are stipulated to be fulfilled on the GSH Completion Date) have been fulfilled or waived (as the case may be) or any other date as agreed by the parties in writing, being the completion date under the GSH SPA
“GSH Counter-guarantee”	the counter-guarantee and indemnity to be provided by the Company to GBT and Dihao Foodstuff in respect of the obligations and liabilities that GBT and Dihao Foodstuff may incur and suffer under the Jinzhou Yuancheng Guarantees
“GSH Counter-guarantee Deed”	the deed of counter-guarantee to be executed by the Company, GBT and Dihao Foodstuff pursuant to which the Company will, among others, provide the GSH Counter-guarantee to GBT and Dihao Foodstuff
“GSH Disposal”	the disposal of the GSH Sale Shares under the GSH SPA
“GSH Sale Shares”	717,965,000 Shares held by Global Corn as at the date of the GSH SPA and to be sold to the Joint Offerors under the GSH SPA, representing approximately 47.00% of the entire issued share capital of the Company as at the date of the GSH SPA
“GSH SPA”	the sale and purchase agreement dated 6 April 2023 entered into by the Joint Offerors and Global Corn for the acquisition of the GSH Sale Shares by the Joint Offerors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu, being all independent non-executive Directors for the purpose of making a recommendation to the Independent Shareholders regarding the Special Deals and the CB Subscription
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed by the SFC to carry out 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 Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Special Deals, the CB Subscription and as to their voting

DEFINITIONS

“Independent Shareholders”	<p>(i) for the purpose of approving the Special Deals (including the GSH Counter-guarantee as a connected transaction under the Listing Rules), the Shareholders other than (a) Offeror B, Rich Mark Profits Limited, a company wholly-owned by Offeror B, and parties acting in concert with each of them; (b) GBT, Global Corn and their respective associates; (c) the Shareholders who are interested in or involved in the Special Deals; and (d) Shareholders who have a material interest in the Special Deals; and</p> <p>(ii) for the purpose of approving the CB Subscription, the Shareholders other than (a) Offeror B, Rich Mark Profits Limited, a company wholly-owned by Offeror B, and their respective close associates; (b) GBT, Global Corn and their respective close associates; and (c) Shareholders who have a material interest in the CB Subscription</p>
“Jilin Cinda”	中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*), a lender of Dihao Foodstuff
“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 the People’s Government of Jilin Province*), a PRC government body within the meaning of Listing Rules and a substantial Shareholder within the meaning of Part XV of the SFO as at the Latest Practicable Date
“Jinzhou CCB”	中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank Corporation*), a lender of Jinzhou Yuancheng and a non-shareholder of the Company
“Jinzhou Yuancheng”	錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“Jinzhou Yuancheng Guarantees”	the guarantees provided by GBT and/or Dihao Foodstuff to Jinzhou CCB and Tiebei BOJ in respect of the debts to be owed by Jinzhou Yuancheng to Jinzhou CCB and Tiebei BOJ under the guarantee agreements dated 13 September 2018, 20 May 2019 and 27 December 2021, being the underlying guarantees to which the GSH Counter-guarantee relates

DEFINITIONS

“Joint Announcement”	the joint announcement dated 6 April 2023 issued by the Joint Offerors, GBT and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to, among others, the Special Deals and the CB Subscription
“Joint Offerors”	collectively, Offeror A and Offeror B, the purchasers under the GSH SPA, the subscribers under the CB Subscription Agreement and the Joint Offerors under the Offer
“Latest Practicable Date”	23 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and approving the listing of and dealing with securities on the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Luyuan Properties”	certain land and buildings in Luyuan District in Changchun owned by the Dihao Companies and the GBT Group that became subject to resumption following the announcement by 長春市人民政府 (The Changchun Municipal Government*) in 2019 that these properties formed part of the redevelopment plan under the PRC government’s Slum Redevelopment Policy. Resumption of a portion of such properties that were owned by Dihao Foodstuff was completed in 2020, and resumption of the Remaining Luyuan Properties had yet to be completed as at the Latest Practicable Date
“Ningxia Huarong”	寧夏華融資本拓譽投資中心(有限合夥) (Ningxia Huarong Capital Tuoyu Investment Centre (Limited Partnership*)), a lender of Dihao Foodstuff, Changchun Dahe and Dacheng Bio-Tech
“Nongan ABC”	中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Limited*), an ex-lender of Dihao Foodstuff whose loan to Dihao Foodstuff has been assigned to Jilin Cinda
“Nongtou”	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co.,Ltd.*), a controlling Shareholder and a controlling shareholder of GBT within the meaning of Listing Rules as at the Latest Practicable Date

DEFINITIONS

“Offer”	the mandatory unconditional general cash offer to be made by CCB International Capital Limited and China Galaxy International Securities (Hong Kong) Co., Limited for and on behalf of the Joint Offerors to acquire all of any and all of the issued Share(s) not already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them in the Offer pursuant to Rule 26.1 of the Takeovers Code, further details of which are disclosed in the Joint Announcement
“Offeror A”	Mr. Kong Zhanpeng (孔展鵬), one of the purchasers under the GSH SPA, one of the subscribers under the CB Subscription Agreement and one of the Joint Offerors under the Offer
“Offeror B”	Mr. Wang Tieguang (王鐵光), one of the purchasers under the GSH SPA, one of the subscribers under the CB Subscription Agreement and one of the Joint Offerors under the Offer
“PRC” or “China”	People’s Republic of China
“Remaining Luyuan Properties”	the Luyuan Properties that had not completed resumption as at the Latest Practicable Date, approximately one-seventh of which is owned by the Dihao Companies and approximately six-sevenths of which was owned by the GBT Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Special Deals”	(i) GSH Counter-guarantee; and (ii) Dihao Transfer, each of which constitutes a special deal under Rule 25 of the Takeovers Code
“Specific Mandate”	the specific mandate granted to the Board to allot, issue and deal with the Conversion Shares at the relevant extraordinary general meeting of the Company to be convened by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tiebei BOJ”	錦州銀行股份有限公司鐵北支行 (Tiebei Branch of Bank of Jinzhou Co., Ltd.*), a lender of Jinzhou Yuancheng
“USD”	United States dollars
“%”	per cent.

For the purpose of this circular, the exchange rate of RMB1.00 = HK\$1.15 has been used for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or at any other rates.

LETTER FROM THE BOARD



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

Executive Directors:

Mr. Wang Guicheng (*Chairman*)

Mr. Tai Shubin

Independent non-executive Directors:

Mr. Fan Yeran

Mr. Fong Wai Ho

Mr. Lo Kwing Yu

Registered office:

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PO Box 2681

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Cayman Islands

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business in Hong Kong:*

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18 Hung Luen Road

Hung Hom, Kowloon

Hong Kong

31 May 2023

To the Shareholders

Dear Sir or Madam,

**(1) SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ENTIRE EQUITY INTERESTS IN DIHAO
COMPANIES;**

**(2) SPECIAL DEAL, MAJOR AND CONNECTED TRANSACTION IN RELATION
TO PROVISION OF COUNTER-GUARANTEE AND INDEMNITY; AND**

(3) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

1. INTRODUCTION

Reference is made to the Joint Announcement dated 6 April 2023 issued by the Joint Offerors, GBT and the Company in relation to, among others, the Dihao Transfer and the GSH Counter-guarantee i.e. the Special Deals and the CB Subscription. The entering into of the Dihao SPAs

** for identification purposes only*

LETTER FROM THE BOARD

and the CB Subscription Agreement are conditions precedent under the GSH SPA whereas the GSH Counter-guarantee Deed is a completion deliverable under the GSH SPA. For further details of the GSH SPA, please refer to the Joint Announcement.

The purpose of this circular is to provide you with, among other things, further information on the Special Deals and the CB Subscription, the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, other information as required under the Listing Rules and the Takeovers Code.

2. DISPOSAL OF ENTIRE EQUITY INTERESTS IN DIHAO COMPANIES

On 6 April 2023 (after trading hours), the Dihao Vendors and the Dihao Purchaser entered into the Dihao SPAs, pursuant to which, among others, the Dihao Vendors have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in the Dihao Companies, at an aggregate consideration of RMB2.0.

The principal terms of the Dihao SPAs are set out below:

Date

6 April 2023

Parties

Dihao SPA I:

- (1) Dihao Vendor A and Dihao Vendor B (all being wholly-owned subsidiaries of the Company)
- (2) Dihao Purchaser (a wholly-owned subsidiary of GBT)

Dihao SPA II:

- (1) Dihao Vendor A and Dihao Vendor C (all being wholly-owned subsidiaries of Company)
- (2) Dihao Purchaser (a wholly-owned subsidiary of GBT)

As at the Latest Practicable Date and prior to the GSH Completion and the Dihao Completion, the Dihao Purchaser was a connected person of the Company.

LETTER FROM THE BOARD

Assets to be disposed of

Pursuant to the Dihao SPA I, (i) Dihao Vendor A and Dihao Vendor B have conditionally agreed to sell, and the Dihao Purchaser has conditionally agreed to purchase, the Dihao Foodstuff Sale Interest. Pursuant to the Dihao SPA II, (ii) Dihao Vendor A and Dihao Vendor C have conditionally agreed to sell, and the Dihao Purchaser has conditionally agreed to purchase, the Dihao Crystal Sugar Sale Interest, free from all encumbrances.

Consideration

The aggregate consideration for the Dihao Transfer is RMB2.0, of which RMB1.0 and RMB1.0 are attributable to the Dihao Foodstuff Sale Interest under the Dihao SPA I and the Dihao Crystal Sugar Sale Interest under the Dihao SPA II, respectively.

The consideration was determined after arm's length negotiations between the Dihao Vendors and the Dihao Purchaser taking into account (i) the net liabilities value of the Dihao Companies as at 31 December 2022 of approximately HK\$408.6 million; and (ii) the loss-making position of the Dihao Companies in recent financial periods as elaborated in the paragraph headed "Reasons for and Benefits of the Dihao Transfer" in this circular; and (iii) the preliminary estimation of compensation for the resumption of the portion of the Remaining Luyuan Properties owned by the Dihao Companies of approximately RMB270.0 million to RMB290.0 million, the basis of estimation of which is further elaborated in the paragraph headed "Reasons for and Benefits of the Dihao Transfer" in this circular.

Payment

The consideration shall be settled by the Dihao Purchaser by paying the Dihao Vendors in cash on the Dihao Completion Date and shall be satisfied with internal resources of the GBT Group.

Conditions Precedent

Dihao Completion is conditional on, among others, the following conditions being satisfied or waived (if applicable):

1. the Company having obtained all necessary consents and approvals in relation to the Dihao SPAs, GSH Counter-guarantee, all the transactions contemplated thereunder and all other relevant documents thereto from the Independent Shareholders in the EGM;
2. (if necessary) GBT having obtained all necessary consents and approvals in relation to the Dihao SPAs, GBT Counter-guarantee, all the transactions contemplated thereunder and all other relevant documents thereto from the shareholders of GBT in the extraordinary general meeting to be convened by GBT;
3. the Executive having granted its consent under Rule 25 of the Takeovers Code in respect of the Dihao SPAs and all the transactions contemplated thereunder;

LETTER FROM THE BOARD

4. all representations, warranties or undertakings given by the Dihao Vendors under the Dihao SPAs remaining true and accurate in all material aspects;
5. the Dihao Purchaser being satisfied with the results of financial, business and legal due diligence on the Dihao Companies, and such results do not show that the Dihao Vendors' representations, warranties or commitments in the Dihao SPAs have been breached or are in any material respect inaccurate and/or misleading;
6. the GSH Completion being concurrent with the Dihao Completion; and
7. the completion of the Dihao SPAs being taken place concurrently.

If one or more of the conditions precedent are not satisfied or waived (as the case may be) on or before the Dihao Long Stop Date, the Dihao SPAs shall lapse and, unless otherwise agreed in the Dihao SPAs, each of the parties shall be released from its obligations and responsibilities thereunder, except for any antecedent breaches.

The conditions numbered 4 and 5 above may be waived in writing by the Dihao Purchaser before the Dihao Long Stop Date. None of the other conditions can be waived.

As at the Latest Practicable Date, none of the conditions were fulfilled or waived.

Dihao Completion

Dihao Completion for each of the Dihao SPA shall take place concurrently with the other Dihao SPA on the tenth Business Day after all conditions precedent (other than conditions precedent that are stipulated to be fulfilled on the Dihao Completion Date) are being fulfilled or waived (as the case may be) or any other date as agreed by the parties in writing.

Financial Information of the Dihao Companies

Set out below are the audited financial information of Dihao Companies for the two years ended 31 December 2021 and 2022, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2022	2021	2022	2021	2022	2021
	Revenue HK\$'000		Net (loss)/profit before taxation HK\$'000		Net (loss)/profit after taxation HK\$'000	
Dihao Foodstuff	–	931	(552,215)	65,091	(552,215)	53,632 (Note)
Dihao Crystal Sugar	–	–	(393,133)	(3,606)	(393,133)	(2,992)

LETTER FROM THE BOARD

As at 31 December 2022, the audited net liabilities value of Dihao Foodstuff and Dihao Crystal Sugar were approximately HK\$364.1 million and HK\$44.5 million, respectively. The aggregate audited net liabilities value of the Dihao Companies of approximately HK\$408.6 million as at 31 December 2022 were made up of (a) total assets of approximately HK\$160.5 million which mainly included property, plant and equipment of approximately HK\$132.5 million; and (b) total liabilities of approximately HK\$569.1 million which mainly included bank borrowings of approximately HK\$339.1 million and trade and other payables of approximately HK\$162.2 million.

Note: The net profit of Dihao Foodstuff in 2021 mainly represented the recognition of a one-off gain on debt restructuring of approximately HK\$128.3 million following the completion of the repurchase agreements dated 26 March 2021 entered into between Dihao Foodstuff and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*), an independent third party which is not a connected person of the Group. The one-off gain of approximately HK\$128.3 million represented the difference between (a) the value of the repurchased indebtedness which consisted of the aggregate principal amount of approximately RMB198.6 million together with the outstanding interests (the “**Repurchased Indebtedness**”) and (b) the consideration paid for the purchase of the Repurchased Indebtedness under the aforementioned repurchase agreements which amounted to approximately RMB113.51 million.

Reasons for and Benefits of the Dihao Transfer

It came as a much welcome relief when the Joint Offerors expressed their interest in taking over the Group and providing financing for repayment of certain loans and resumption of certain production facilities of the Group, which may help put it back on the road to recovery. The intention of the Joint Offerors is that the Dihao Companies should be segregated from the Group as they acquire control over the Group. The purpose of the Dihao Transfer is to restructure and rationalise the management, financial performance, debt management and administration of land of the GBT Group and the Group after the Group ceases to be subsidiaries of GBT. Each of the benefits of the Dihao Transfer to the Group is further elaborated on in the paragraphs below.

From management perspective, the Dihao Companies are both situated in Changchun, the PRC, where the major production facilities of the GBT Group are situated while all other production facilities of the Group are situated elsewhere in the PRC. As such, the Dihao Transfer would enable the Dihao Companies to be managed under the ambit of the GBT Group with other members of the GBT Group in Changchun, which could enhance the cost and operational efficiency, create potential synergies and reduce the volume of connected transactions between the GBT Group and the Group. Following the Dihao Completion, transactions between the Dihao Companies and the GBT Group that currently constitute connected transactions of the Group will no longer constitute connected transactions of the Group with GBT Group as the Dihao Companies will cease to be members of the Group and will be members of GBT Group, and such transactions will be intra-group transactions within the GBT Group. Since the transactions will no longer be between the Group and the GBT Group, this in effect will reduce the volume of connected transactions between the Group and the GBT Group and in turn allow the Group to reduce reliance on the GBT Group and relieve the Group’s compliance burden arising from connected transactions.

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The Dihao Companies have been loss-making since 2014, due to the concentration of low-end users in the sweeteners market in Northeast China, economic slowdown in China in the past years and the protectionist agricultural policy in favour of corn farmers. China's policies to protect farmers' interests, including price floors, corn stockpiling programs, and higher tariffs for imported corn, have led to rising domestic corn prices. However, the price of sugar, a substitute for corn sweeteners (a major product of Dihao Companies) has not kept up with the increase in corn prices, particularly in regions where the Dihao Companies operate which serve low-end customers. As a result, the Dihao Companies have found it difficult to pass on the higher corn costs to their customers. As such, the Group has scaled down operation of the Dihao Companies since March 2014. Based on the audited financial information as at 31 December 2022, the audited net liabilities value of the Dihao Companies were approximately HK\$408.6 million, the Dihao Transfer will therefore improve the financial position of the Group.

In addition, as announced by GBT and the Company on 23 December 2020 and as described in the paragraph headed "Provision of Counter-guarantee and Indemnity by GBT to GSH" in the Joint Announcement, Jilin Cinda has agreed to purchase, at a total consideration of approximately RMB414.7 million, all of Nongan ABC's rights and benefits in, among others, the Dihao Foodstuff Loan with a principal amount of approximately RMB180.0 million and certain loans owed by the GBT Group with a principal amount of approximately RMB920.0 million, together with the aggregate outstanding interests in respect of these loans. It is understood that the aforementioned debt restructuring plan has been facilitated by the relevant lenders owing to the fact that Jilin SASAC has indirect control over the relevant borrowers through its controlling shareholding in GBT. Given that the Company and its subsidiaries will cease to be subsidiaries of GBT following the GSH Completion and no longer be under the indirect control of Jilin SASAC, in order for the debt restructuring plan to continue to be facilitated by the lenders, it is necessary for the Dihao Transfer to be carried out to allow Dihao Foodstuff to remain under the indirect control of Jilin SASAC.

As disclosed in the paragraph headed "3. Improvement of financial position and reduction of gearing level of the GBT Group" in the section headed "Disposal of approximately 47.00% of the issued Shares in the Company by GBT Group to the Joint Offerors" in the Joint Announcement, the Group has certain outstanding loans and borrowings as at 31 January 2023. The Group had given notification to all of the creditors of the relevant loans about the Dihao Transfer and had fulfilled its obligations pursuant to the respective loan agreements. While the Group has yet to enter into any written agreements or receive any written confirmations from the relevant creditors, it is the preliminary mutual understanding between the Group and each of the creditors that the Dihao Transfer will not be an event triggering such creditors to call for repayment of the loans or enforce the guarantee(s) of the respective loans.

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The Dihao Companies and certain members of the GBT Group are owners of the Luyuan Properties, as announced by 長春市人民政府 (The Changchun Municipal Government*) in 2019 when it confirmed that the Luyuan Properties formed part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. As announced by GBT and the Company on 24 August 2020 and 30 September 2020, the first phase of resumption by 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the "**Luyuan Government**") involving certain Luyuan Properties owned by Dihao Foodstuff was completed in 2020 and Dihao Foodstuff received a total compensation of approximately RMB443.0 million for the land of approximately 149,249 square metres. Despite the fact that the Group has been in negotiation with the Luyuan Government regularly, the Remaining Luyuan Properties have remained in the process of resumption ever since due to the prolonged negotiations on areas including the fair amount of compensation to be received and the arrangements with the lenders of the loans for which certain Remaining Luyuan Properties are pledged as security, and the timetable for completion of the resumption remains uncertain as at the Latest Practicable Date. It is uncertain as to the amount of compensation that could be received by the Dihao Companies and the GBT Group as a result of the resumption of the Remaining Luyuan Properties. Based on the past experience in the first phase of the resumption of the Luyuan Properties in 2020, the Directors preliminarily estimated the compensation for the portion of the Remaining Luyuan Properties owned by Dihao Companies with a book value of approximately RMB79.8 million as at 31 December 2022 and a land area of approximately 100,000 square meters to be approximately RMB270.0 million to RMB290.0 million by proportioning the amount of compensation received in 2020 for the land which completed resumption in 2020 by the relative sizes of land.

The majority of the Remaining Luyuan Properties has been pledged as security for loans. These loans are to be repaid to Jilin Cinda and Ningxia Huarong and have an outstanding principal amount as at 31 January 2023 of approximately RMB180.0 million (i.e. the Dihao Foodstuff Loan) and RMB815.0 million, respectively. As at 31 December 2022, the book value of such pledged assets attributable to loans to be repaid to Jilin Cinda and Ningxia Huarong were approximately RMB563.4 million. For further details on the particulars of the loans which have Remaining Luyuan Properties pledged as security, please refer to the tables showing the outstanding loans and borrowings of the GBT Group and the Group under the paragraph headed "3. Improvement of financial position and reduction of gearing level of the GBT Group" in the Joint Announcement. In the case that the resumption fails to be completed and no compensation will be received or the resumption cannot be completed before the lenders request for repayment of the outstanding loans, the lenders may apply for the pledged Remaining Luyuan Properties to be sold by way of auction for settlement of the outstanding loans if alternative external financing cannot be arranged in time, resulting in a reduced asset value for the GBT Group assuming the Dihao Completion takes place. In the case that the Remaining Luyuan Properties have to be sold by way of auction, considering that the site where the Remaining Luyuan Properties are situated have been identified by the local government for resumption and negotiations have been ongoing, it is anticipated that,

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apart from any other third party who may be interested in bidding for the Remaining Luyuan Properties, at least the land developer appointed by the local government for the resumption will participate in the auction. It could also be foreseen that the lenders that has applied for the auction to take place would set an appropriate reserve price to safeguard their own interests in maximising the amount that could be recovered from the proceeds of sale in the auction. It was not possible or realistic to make an estimation of the reserve price or the hammer price for the sale of the Remaining Luyuan Properties in the auction on the Latest Practicable Date due to the similar uncertainties as disclosed above regarding the preliminary estimation of the amount of proceeds that could be received from land resumption. Nonetheless, no additional liabilities are expected to be incurred by GBT Group and Dihao Companies in the case that the land resumption fails to be completed.

In view of the fact that the Dihao Companies only own approximately one-seventh of the Remaining Luyuan Properties and such portion has been used as security for certain loans owed by the Dihao Companies, it would be more efficient for GBT, as the ultimate owner of the majority of the Remaining Luyuan Properties, to be in charge of the negotiation, valuation of land and execution of the land transfer the Remaining Luyuan Properties in the resumption, and quicker decision-making process and less administrative hurdles are expected if only one party is involved. The Dihao Transfer could allow the Remaining Luyuan Properties to remain to be owned by the GBT Group despite the GSH Disposal and could be expedited the process of negotiation with the Luyuan Government in respect of the resumption as such transaction could then be handled by the management of the GBT Group without involving the new management of the Group following the GSH Disposal. At the same time, the Company could concentrate its effort in its own business operation without having to expend resources to participate in the negotiations for the resumption. With GBT taking the sole charge of the negotiations for the resumption following the Dihao Transfer, there should be an improved prospect for the completion of the resumption of the Remaining Luyuan Properties in around 2024 to 2025, taking into account as the real estate market downturn in PRC recently which necessitates the management of GBT to spend more time to bargain with Luyuan Government and strive for the best interest of the GBT Group.

It follows that the Dihao Transfer, whether on a standalone basis or as a transaction ancillary or incidental to the GSH Disposal, is favourable to the Group. The GBT Group, on the other hand, is disposed to accede to the Joint Offerors' proposal in relation to the Dihao Transfer given its benefits to the GBT Group. These include, among others, the potential increase in operational efficiency and synergies that can be created due to the geographical proximity of the Dihao Companies to the production facilities of the GBT Group, and the expedition in negotiations with the Luyuan Government in respect of resumption of the Remaining Luyuan Properties, as explained in the paragraphs above.

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As for the consideration for the Dihao Transfer, despite the benefits that the Dihao Transfer could bring about to the Group including the more rationalised management structure and improved debt management and administration of land as discussed above, given the high amount of net liabilities and the persistent loss-making position of the Dihao Companies in recent years, and that the majority of Dihao Companies' production facilities have been suspended and are unlikely to resume in the near future, which means that the net liabilities of the Dihao Companies are not expected to improve in the short term even with the expected compensation from resumption of land that could be applied for repayment of loans and reduction of liabilities, the Directors were able to negotiate for a nominal consideration of RMB2.0 which the Directors believe could reflect the value of the Dihao Companies and is fair and reasonable.

The Directors (including the independent non-executive Directors whose opinion has been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the Dihao Transfer and the terms of the Dihao SPAs (including the consideration) are on normal commercial terms and fair and reasonable, and the Dihao Transfer contemplated thereunder is in the interest of the Company and the Shareholders as a whole.

Financial Effect of the Dihao Transfer and Use of Proceeds

Based on the aggregate net liabilities value of the Dihao Companies of approximately HK\$408.6 million as at 31 December 2022, and the aggregate consideration for the Dihao Sale Interests of RMB2.0, it is expected that the Group, following the Dihao Completion, will record a net gain of approximately HK\$408.6 million as a result of the Dihao Transfer. The actual gain shall be subject to the assessment of the financial effect of the Dihao Foodstuff Guarantee provided by the Company to Dihao Foodstuff, GBT Counter-guarantee and the Jinzhou Yuancheng Guarantees provided by GBT and Dihao Foodstuff to Jinzhou Yuancheng as a result of the change of Dihao Companies from members of the Group to members of the GBT Group and the final audit to be performed by the Company's auditors.

Upon Dihao Completion which shall be concurrent with the GSH Completion, (i) the Group will cease to hold any interest in the Dihao Companies, which will cease to be subsidiaries of the Company and financial results will no longer be consolidated into the financial statements of the Group; and (ii) the GBT Group will hold the entire equity interest in the Dihao Companies, which will be wholly-owned subsidiaries of GBT and their financial results will be consolidated into the financial statements of the GBT Group.

The Group intends to utilise the net proceeds from the Dihao Transfer for general working capital purpose.

Shareholders and/or potential investors of the Company should be aware and take note that the sale and purchase of the Dihao Sale Interests are conditional upon satisfaction and/or waiver of the conditions precedent in the Dihao SPAs and therefore may or may not proceed.

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3. PROVISION OF COUNTER-GUARANTEE AND INDEMNITY

Background

On 18 October 2019, Jinzhou Yuancheng, an indirect wholly-owned subsidiary of the Company, entered into three loan agreements with Jinzhou CCB, pursuant to which Jinzhou CCB granted to Jinzhou Yuancheng loans with an aggregate principal amount of RMB189.9 million and a term of ten months from the date of the loan agreements, i.e. 18 October 2019, for debts refinancing purposes (the “**Jinzhou CCB Loans**”). As at 31 December 2022, the outstanding principal amount under the Jinzhou CCB Loans is approximately RMB189.0 million. Under the two guarantee agreements both dated 13 September 2018 entered into between Jinzhou CCB as lender and GBT and Dihao Foodstuff as the respective guarantor, GBT and Dihao Foodstuff, respectively as a holding company and group company of Jinzhou Yuancheng at that time, had each agreed to provide to Jinzhou CCB guarantee (collectively, the “**Yuancheng CCB Guarantees**”) in respect of the debts to be owned by Jinzhou Yuancheng to Jinzhou CCB arising during the period from 13 September 2018 to 31 December 2019 (the “**Loan Period**”). Under each of the Yuancheng CCB Guarantees, the maximum guaranteed principal amount shall be RMB200.0 million. The Yuancheng CCB Guarantees covered the obligations of Jinzhou Yuancheng in connection with the Jinzhou CCB Loans. The guarantee period of the Yuancheng CCB Guarantees shall end three years after the date of expiration of the respective debts repayment period pursuant to the respective loan agreements entered into between Jinzhou Yuancheng and Jinzhou CCB during the Loan Period.

On 25 August 2020 and 27 December 2021, Jinzhou Yuancheng, as borrower, entered into loan agreements with Tiebei BOJ, as lender, for respective loan with a principal amount of RMB159.0 million and RMB53.5 million for a respective term of three years and one year from the date of the respective loan agreement (collectively, the “**Tiebei BOJ Loans**” together with the Jinzhou CCB Loans, the “**Jinzhou Yuancheng Loans**”) for debts refinancing purposes. Under the two guarantee agreements dated 11 June 2021 and 27 December 2021 respectively entered into between Tiebei BOJ as lender and Dihao Foodstuff as guarantor, Dihao Foodstuff, as a group company of Jinzhou Yuancheng at that time, had agreed to provide to Tiebei BOJ guarantees in respect of each of the Tiebei BOJ Loans (the “**Yuancheng Tiebei Guarantees**”), covering the total principal amount of RMB159.0 and RMB53.5 million respectively under Tiebei BOJ Loans, together with the interest accrued thereon, penalty interest, liquidated damages and other compensation to which Tiebei BOJ may be entitled, and all fees and expenses incurred by Tiebei BOJ to enforce the Tiebei BOJ Loans and the Yuancheng Tiebei Guarantees. The guarantee period of the Yuancheng Tiebei Guarantees shall end two years after the respective date of expiration of the respective term of the Tiebei BOJ Loans.

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Upon GSH Completion, the Company will cease to be a subsidiary of GBT. Dihao Foodstuff will also cease to be a subsidiary of the Company and become part of the GBT Group upon Dihao Completion. It is a term of the Dihao SPAs that the Company shall execute and deliver to GBT and Dihao Foodstuff the GSH Counter-guarantee Deed at Dihao Completion, such that the Company will, among others, provide counter-guarantee and indemnity to GBT and Dihao Foodstuff in respect of the obligations and liabilities GBT and Dihao Foodstuff may incur and suffer under the Jinzhou Yuancheng Guarantees.

The GSH Counter-guarantee Deed

The principal terms of the GSH Counter-guarantee Deed are summarised as follows:

Expected execution date: Dihao Completion Date

Parties:

- (1) the Company (as counter-guarantor);
- (2) GBT (as provider of the Yuancheng CCB Guarantees);
and
- (3) Dihao Foodstuff (as provider of the Yuancheng CCB Guarantees and the Yuancheng Tiebei Guarantees)

As at the GSH Completion Date and Dihao Completion Date, GBT will remain a substantial shareholder of the Company, whereas Dihao Foodstuff will by then become an indirect wholly-owned subsidiary of GBT. Each of GBT and Dihao Foodstuff will therefore remain connected persons of the Company under Chapter 14A of the Listing Rules and hence the provision of the GSH Counter-guarantee to GBT and Dihao Foodstuff will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Undertaking to release the Jinzhou Yuancheng Guarantees:

Under the GSH Counter-guarantee Deed, the Company shall irrevocably and unconditionally undertake to GBT and Dihao Foodstuff to use its best endeavours to procure effective and full release of the obligations and liabilities of GBT and Dihao Foodstuff under the Jinzhou Yuancheng Guarantees as soon as practicable and, in any event, within twelve months after Dihao Completion (or such later date as the Company, GBT and Dihao Foodstuff may agree in writing).

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- Undertaking to indemnify: Under the GSH Counter-guarantee Deed, the Company shall irrevocably and unconditionally undertake to each of GBT and Dihao Foodstuff that, during the term of the GSH Counter-guarantee, the Company shall on demand indemnify and keep GBT or Dihao Foodstuff (as the case may be) indemnified against all payments which are made or demanded to be made by GBT or Dihao Foodstuff, all losses, damages, debts, and expenses which GBT or Dihao Foodstuff incurs or suffers, all claims, proceedings, arbitrations or other legal actions which are brought against GBT or Dihao Foodstuff, and all liabilities or obligations which GBT or Dihao Foodstuff is called upon to bear or perform as a result of the Jinzhou Yuancheng Guarantees, provided that any exercise by GBT or Dihao Foodstuff of its rights under the GSH Counter-guarantee Deed shall be conditional upon the effective and full release of the Dihao Foodstuff Guarantee, which may be by way of change of guarantor, repayment of the underlying debts or replacement with other collaterals. As at the Latest Practicable Date, such condition has not been met.
- Undertaking of no further drawdown: Under the GSH Counter-guarantee Deed, the Company shall undertake to procure Jinzhou Yuancheng (as the borrower of the Jinzhou Yuancheng Loans) not to make any further drawdown under the Jinzhou Yuancheng Loans.
- Maximum liability: Pursuant to the GSH Counter-guarantee Deed, the maximum principal amount of the debts under the Jinzhou Yuancheng Guarantees in respect of which the Company shall indemnify GBT or Dihao Foodstuff is RMB401.5 million, which is equivalent to the outstanding principal amount under the Jinzhou Yuancheng Loans.
- The maximum liability the Company may incur under the GSH Counter-guarantee is equivalent to the aggregate outstanding principal amount of approximately RMB401.5 million under the Jinzhou Yuancheng Loans, the accrued interest thereon (as at 31 December 2022, the accrued interest was approximately RMB59.0 million) together with the damages, debts and expenses which GBT or Dihao Foodstuff may incur or suffer, all claims, proceedings, arbitrations or other legal actions which are brought against GBT or Dihao Foodstuff, and all liabilities or obligations which GBT or Dihao Foodstuff is called upon to bear or perform pursuant to the Jinzhou Yuancheng Guarantees.
- Term: The GSH Counter-guarantee shall be valid from the Dihao Completion Date until the day on which all of the obligations and liabilities of GBT and Dihao Foodstuff under the Jinzhou Yuancheng Guarantees are fully and effectively released (both dates inclusive).

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Reasons for and Benefits of the GSH Counter-guarantee

The Jinzhou Yuancheng Guarantees were provided by GBT and Dihao Foodstuff in respect of the debts owed by Jinzhou Yuancheng as per the request of the lenders. Following Dihao Completion, Dihao Foodstuff will cease to be a subsidiary of the Company and become part of the GBT Group. The Company will also cease to be a subsidiary of GBT following the GSH Completion in accordance with the GSH SPA.

In the light of the restructuring of the Group and the GBT Group, it will be logical and advisable to procure release of the obligations and liabilities of GBT and Dihao Foodstuff under the Jinzhou Yuancheng Guarantees as each of GBT and Dihao Foodstuff will no longer be the ultimate holding company and fellow subsidiary of Jinzhou Yuancheng following GSH Completion and Dihao Completion. However, financial resources for full repayment of Jinzhou Yuancheng Loans may not be immediately available; change of guarantors under the Jinzhou Yuancheng Guarantees will require consent of the lenders and may also not be immediately achievable. The Company, GBT and Dihao Foodstuff will have to negotiate with the lenders and the change of guarantors may be subject to clearance that has to be sought under the internal policy and procedures of the lenders. Hence, it is unlikely that release of the obligations and liabilities of GBT and Dihao Foodstuff under the Jinzhou Yuancheng Guarantees can be secured in the near future. In the interim, it will make commercial sense for the Company to provide counter-guarantee and indemnity to GBT and Dihao Foodstuff such that, subsequent to GSH Completion and Dihao Completion, GBT and Dihao Foodstuff will be covered for the obligations and liabilities it may incur under the Jinzhou Yuancheng Guarantees in connection with the debts owed by Jinzhou Yuancheng, a then non-group entity of GBT and Dihao Foodstuff. This will also serve to bring the financial assistance provision arrangements into line with the new structure of the Group, where the Company will become the de facto entity providing guarantee in respect of the Jinzhou Yuancheng Loans owed by Jinzhou Yuancheng, its indirect wholly-owned subsidiary. The GSH Counter-guarantee Deed also offers due safeguard for the interests of the Company as the rights of GBT and Dihao Foodstuff under the GSH Counter-guarantee Deed may only be exercised after the Dihao Foodstuff Guarantee has been effectively and fully released, when the Company will not be required to assume or bear any obligation or liability in respect of the debts owed by Dihao Foodstuff which will then no longer be part of the Group. For these reasons, the parties to the Dihao SPAs have agreed that the Company shall execute and deliver to GBT and Dihao Foodstuff the GSH Counter-guarantee Deed at Dihao Completion.

Having regard to the reasons for and benefits of the transaction as set forth above, the Directors (including the independent non-executive Directors whose opinion has been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the GSH Counter-guarantee Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Financial Effect of the GSH Counter-guarantee

It is expected that the transactions contemplated under the GSH Counter-guarantee Deed will not have any impact on the earnings and the assets and liabilities of the Group since the financial effect of the GSH Counter-guarantee Deed granted by the Company will be fully offset by the financial effect of the Yuancheng CCB Guarantees and the Yuancheng Tiebei Guarantees received by Jinzhou Yuancheng, an indirect wholly-owned subsidiary of the Company.

4. ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 6 April 2023 (after trading hours), the Company entered into the CB Subscription Agreement with the Joint Offerors as subscribers, pursuant to which the Company has conditionally agreed to issue, and the Joint Offerors have conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK\$138.0 million) subject to the terms and conditions set out in the CB Subscription Agreement.

Details of the CB Subscription Agreement are set out below:

Date: 6 April 2023 (after trading hours)

Parties: (i) the Company, as the issuer; and
(ii) the Joint Offerors, as the subscribers.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Joint Offerors are third parties independent of and not connected with the Company and their respective connected persons as at the date of the CB Subscription Agreement and prior to the GSH Completion.

The CB Subscription

Pursuant to the CB Subscription Agreement, the Company has conditionally agreed to issue and the Joint Offerors, as the subscribers, have conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK\$138.0 million), which may be converted into the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds. Completion of the CB Subscription shall take place in two tranches. The principal amount of Convertible Bonds to be acquired by each of the Joint Offerors shall be as follows:

Offeror A: RMB60.0 million (subscription of RMB30.0 million upon CB First Completion; and the remaining RMB30.0 million upon CB Second Completion)

Offeror B: RMB60.0 million (subscription of RMB30.0 million upon CB First Completion; and the remaining RMB30.0 million upon CB Second Completion)

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Conditions precedent to the CB Subscription Agreement

CB First Completion is conditional upon the following conditions being fulfilled (or waived, if applicable) on or before 30 September 2023 (or such other date as the Company and the Joint Offerors, as subscribers, shall agree in writing):

- (i) the passing by the Independent Shareholders of the relevant resolution(s) at the EGM approving (i) the transactions contemplated under the CB Subscription Agreement; and (ii) the Specific Mandate;
- (ii) the Shares remaining listed and traded on the Stock Exchange and the listing of the Shares not having been withdrawn by the Stock Exchange from the date of the CB Subscription Agreement to the CB First Completion Date (and in any case, trading of the Shares not being suspended for more than five consecutive trading days, save for any suspension of trading due to the CB Subscription or the GSH Disposal);
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, all the Conversion Shares which may fall to be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds (the “**Listing Approval**”), and such Listing Approval remaining in full force and effect and not revoked before the CB First Completion Date;
- (iv) the GSH Completion;
- (v) there being no material breach by the Company of the representations, warranties and undertakings given by it under the CB Subscription Agreement on or before the CB First Completion Date; and
- (vi) no material adverse effect (or change) on the overall business, financial condition or operating performance of the Group having occurred or being likely to occur before the CB First Completion Date.

Save for the conditions set out in paragraphs (v) and (vi) above which may be waived only by Offeror A, as a subscriber and representative of the Joint Offerors (as subscribers), by way of written notice, none of the other conditions may be waived by any party to the CB Subscription Agreement. As at the Latest Practicable Date, none of the conditions were fulfilled or waived.

If the aforementioned conditions have not been satisfied or waived (as the case may be) on or before 30 September 2023 (or such other date as the Company and the Joint Offerors, as subscribers, shall agree in writing), then the CB Subscription Agreement shall automatically terminate and be of no further effect. In such event, none of the parties to the CB Subscription Agreement shall assume any responsibility or obligation for, or have any claim of any nature whatsoever against, the other in respect of the CB Subscription Agreement, save for any antecedent breaches of the CB Subscription Agreement before termination.

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CB Second Completion is conditional upon the following conditions being fulfilled (or waived, if applicable) on or before the CB Second Completion Date:

- (i) the CB First Completion;
- (ii) the giving of written notice by the Company to the Joint Offerors, as subscribers, in respect of the CB Second Completion;
- (iii) the Shares remaining listed and traded on the Stock Exchange, and the listing of the Shares not having been withdrawn by the Stock Exchange from the CB First Completion Date to the CB Second Completion Date (and in any case, trading of the Shares not being suspended for more than five consecutive trading days);
- (iv) the Listing Approval remaining in full force and effect and not revoked before the CB Second Completion Date;
- (v) there being no material breach by the Company of the representations, warranties and undertakings given by it under the CB Subscription Agreement on or before the CB Second Completion Date; and
- (vi) no material adverse effect (or change) on the overall business, financial condition or operating performance of the Group having occurred or being likely to occur before the CB Second Completion Date.

Save for the conditions set out in paragraphs (v) and (vi) above which may be waived only by Offeror A, as a subscriber and representative of the Joint Offerors (as subscribers), by way of written notice, none of the other conditions may be waived by any party to the CB Subscription Agreement. As at the Latest Practicable Date, none of the conditions were fulfilled or waived.

If the aforementioned conditions have not been satisfied or waived (as the case may be) on or before the CB Second Completion Date, the responsibilities and obligations of the parties to the CB Second Completion shall terminate immediately and be of no further effect, none of the parties to the CB Subscription Agreement shall assume any responsibility or obligation for, or have any claim of any nature whatsoever against, the other in respect of the CB Second Completion.

CB Completion

CB First Completion shall take place on the CB First Completion Date after the fulfillment and/or waiver (as the case maybe) of the conditions in respect of CB First Completion (other than conditions precedent that are stipulated to be fulfilled on the CB First Completion Date) as set out in the CB Subscription Agreement.

CB Second Completion shall take place on the CB Second Completion Date after the fulfillment and/or waiver (as the case maybe) of the conditions in respect of CB Second Completion (other than conditions precedent that are stipulated to be fulfilled on the CB Second Completion Date) as set out in the CB Subscription Agreement.

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Specific Mandate

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to Independent Shareholders' approval at the EGM.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Joint Offerors, as subscribers, and are summarised as follows:

Issuer:	The Company
Principal amount:	RMB120.0 million (equivalent to approximately HK\$138.0 million)
Interest rate:	5.0% per annum
Maturity Date:	the date falling on the third anniversary of the issue of the Convertible Bonds (the " CB Maturity Date ")
Conversion Price:	HK\$0.1 per Conversion Share, subject to adjustments.

The initial Conversion Price of HK\$0.1 per Conversion Share represents:

- (i) a premium of approximately 19.0% to the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 16.3% over the closing price of HK\$0.086 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement; and
- (iii) a premium of approximately 20.2% over the average of the closing prices of Share for the five consecutive trading days immediately prior to the date of the CB Subscription Agreement as quoted on the Stock Exchange of HK\$0.0832 per Share.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.1 per Conversion Share.

LETTER FROM THE BOARD

The Conversion Price was determined after arm's length negotiations between the Company and the Joint Offerors, as subscribers, with reference to (i) the par value of the Shares, being the minimum price for issuing new Shares in accordance with the laws of the Cayman Islands; and, (ii) the prevailing market price of the Shares. The Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment to Conversion Price:

The initial Conversion Price will be subject to adjustments upon the occurrence of the following events:

(i) *Consolidation and subdivision*

If and whenever there shall be an alteration to the share capital of the Company as a result of consolidation or subdivision, the initial Conversion Price shall be adjusted by multiplying the initial Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of issued Shares immediately before such alteration; and

B is the number of issued Shares immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) *Other events*

If the Company considers that it would be appropriate for an adjustment to be made to the initial Conversion Price as a result of one or more events or circumstances not referred to in the sub-paragraph above, the Company shall at its own expense, request an approved merchant bank or the auditors of the Company to determine (acting as experts) as soon as practicable:

LETTER FROM THE BOARD

- (a) what adjustment (if any) to the initial Conversion Price is fair and reasonable to take account thereof; and
- (b) the date on which such adjustment should take effect; and

upon such determination such adjustment (provided that the adjustment would result in a reduction in the initial Conversion Price) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made if the approved merchant bank or the auditors of the Company is so requested to make such a determination.

In cases where the circumstances giving rise to any adjustment pursuant to the events as set out in adjustment clause have already resulted or will result in an adjustment to the initial Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the initial Conversion Price, such modification (if any) shall be made to the operation of the adjustment clause as may be advised by the approved merchant bank or the auditors of the Company in question to be in their opinion appropriate to give the intended result.

If any other events occurred and where the Company considers it would be appropriate for an adjustment to be made to the initial Conversion Price, the Company will make further announcement(s) and comply with the disclosure and approval requirement(s) including independent shareholders' approval requirement, if any, in compliance with the Listing Rules.

Conversion Shares:

The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

LETTER FROM THE BOARD

Upon exercise of the Conversion Rights in full at the initial Conversion Price of HK\$0.1 per Conversion Share, a total of 1,380,000,000 Conversion Shares will be issued with an aggregate nominal value of HK\$138,000,000, representing:

- (i) approximately 90.34% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 47.46% of the issued share capital of the Company as enlarged by the issue of 1,380,000,000 Conversion Shares (assuming there is no other change in the issued share capital of the Company between the Latest Practicable Date and the full conversion of the Convertible Bonds).

Conversion period: The period commencing from the date of issue of the Convertible Bonds up to seven days before (and excluding) the CB Maturity Date (the “**Conversion Period**”)

Conversion Rights: Each Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (subject to the terms and conditions of the Convertible Bonds, in the denomination of RMB500,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into Shares subject to adjustments, provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in compliance with the Listing Rules.

Event of default: Pursuant to the CB Subscription Agreement, if any of the events specified below occurs, the Company shall within 10 days of such event occurring give notice to the Bondholders. Within 10 days after the Company despatches the notice, any Bondholder holding, or one or more Bondholders together holding, at least 75% of the then outstanding principal amount of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable, whereupon they shall become immediately due and payable in the amounts which would otherwise be due on the CB Maturity Date:

- (i) a default is made for more than 7 days in any payment of any principal or interest relating to the Convertible Bonds when and as the same ought to be paid in accordance with the conditions of the Convertible Bonds;

LETTER FROM THE BOARD

- (ii) a default is made by the Company in the performance or observance of any covenant, condition or provision of the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal of the Convertible Bonds) and such default continues for the period of 30 days next following the service by a Bondholder, or Bondholders together, holding at least 51% of the then outstanding principal amounts of Convertible Bonds on the Company of notice requiring such default to be remedied;
- (iii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a Bondholder, or Bondholders together, holding at least 51% of the then outstanding principal amounts of Convertible Bonds;
- (iv) an encumbrancer takes possession of or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any of its subsidiaries;
- (v) a distress, execution or seizure order before judgement is levied or enforced upon or sued out against the whole or a material part of the property of the Company or any of its subsidiaries (as the case may be) and is not discharged within 40 days thereof;
- (vi) proceedings shall have been initiated against the Company or any of its subsidiaries under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 60 days;
- (vii) any event occurs which has an analogous effect to any of the events referred to in sub-paragraphs (i) to (vi) above;
- (viii) the listing of the shares of the Company is withdrawn from the Stock Exchange; or
- (ix) trading of the shares of the Company are suspended for a consecutive period of more than 90 Business Days.

LETTER FROM THE BOARD

- Redemption at maturity: The outstanding principal amount of the Convertible Bonds (unless previously converted into Shares or repaid in accordance with the conditions of the Convertible Bonds) and all outstanding interest payable in relation to the Convertible Bonds, shall be repaid by the Company to the Bondholders subject to and in accordance with the terms of the Convertible Bonds on the CB Maturity Date at 100% of the outstanding principal amount of the Convertible Bonds in RMB or HK dollars equivalent.
- Early redemption: Without prejudice to the sub-section headed “Events of Default” above, the Company may, by giving the Bondholders not less than 30 days’ written notice, at any time after 18 calendar months from the issue date of the Convertible Bonds to (and excluding) the CB Maturity Date, redeem all or part of the outstanding principal amount (unless previously converted, redeemed or cancelled) at 100% of the principal amount of the Bonds to be redeemed (together with accrued and unpaid interest, if any, in respect of the Bonds to be redeemed up to and including the redemption date) on a specified redemption date.
- The Company and any Bondholders may at any time agree in writing for the Company to redeem all or part of the Convertible Bonds prior to the CB Maturity Date.
- Ranking: The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding at the Conversion Date and the Bondholders shall be entitled in respect of its Conversion Shares to all dividends and other distributions the record date of which falls on a date on or after the Conversion Date.
- Status: The obligations of the Company arising under the Convertible Bonds constitute general, unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

LETTER FROM THE BOARD

- Transferability: The Convertible Bonds are freely assignable and transferable by the Bondholders subject to the applicable laws and regulations and the Listing Rules, provided that the Convertible Bonds may not be transferred by the Bondholders, without the prior written consent of the Company, to any connected person (as defined in the Listing Rules) of the Company. Any transfer of any Convertible Bond shall be in respect of the whole of the outstanding principal amount or multiples of units of principal amount of RMB500,000 of that Convertible Bond.
- Application for listing: No application shall be made to the Stock Exchange for the listing of the Convertible Bonds. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Reasons for the CB Subscription and the Use of Proceeds

The gross proceeds and the net proceeds from the issue of the Convertible Bonds will be RMB120.0 million (equivalent to approximately HK\$138.0 million). The Company intends to use the net proceeds as follows: (i) RMB60.0 million for repayment of part of the Jinzhou CCB Loans after the CB First Completion (the “**Initial Repayment**”), upon the partial repayment using part of the proceeds from the CB Subscription, the remaining portion of the Jinzhou CCB Loan will be settled within 10 months after the date of the Initial Repayment, as the Group has been continuously negotiating with Jinzhou CCB for better settlement terms in the interest of the Group, further announcements will be made by the Group as and when appropriate should there been any progress or changes to the repayment schedule of the Jinzhou CCB Loan; and (ii) RMB60.0 million for the preparation for the resumption of Jinzhou production facilities such as the expenses in relation to trial run and the procurement of raw materials.

The Directors consider that the issue of the Convertible Bonds allows the Company to secure funding for the repayment of the Jinzhou CCB Loans and to enhance the working capital position of the Company for better preparation for the resumption of production operations of the production bases in Jinzhou. The issue of the Convertible Bonds is considered to be an appropriate means of capital raising for the Company as such issue will not have an immediate dilution effect on the shareholding of the existing Shareholders.

Having taken into account the above factors, the Directors (including the independent non-executive Directors whose opinion has been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the CB Subscription Agreement, which were arrived at arm’s length negotiation between the Company and the Joint Offerors, as subscribers, are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Fund raising activity of the Company in the 12 months immediately preceding the Latest Practicable Date

Save for the proposed subscription of Shares as announced by the Company on 25 July 2022 and 30 December 2022 which had been terminated as announced by the Company on 28 February 2023, the Company had not conducted any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

Effect on Shareholding Structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after GSH Completion and before the Offer and CB Completion (assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to the GSH Completion Date and before the Offer and CB Completion); (iii) immediately after the Offer (assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to the date of completion of the Offer and assuming nil public acceptance of the Offer) and before CB Completion; (iv) immediately after full conversion of the Convertible Bonds issued upon CB First Completion (assuming conversion of Convertible Bonds issued upon CB First Completion at a Conversion Price of HK\$0.1 per Conversion Share, and assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to CB First Completion Date); and (v) immediately after full conversion of the Convertible Bonds issued upon CB Second Completion (assuming conversion of Convertible Bonds issued upon CB Second Completion at a Conversion Price of HK\$0.1 per Conversion Share, and assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to CB Second Completion Date):

	As at the Latest Practicable Date		Immediately after GSH Completion and before CB Completion and the Offer		After GSH Completion and immediately after the Offer (assuming nil public acceptance of the Offer) and before CB Completion		After GSH Completion and the Offer (assuming nil public acceptance of the Offer), and immediately after full conversion of the Convertible Bonds issued upon CB First Completion and before CB Second Completion		After GSH Completion, the Offer (assuming nil public acceptance of the Offer), and full conversion of the Convertible Bonds issued upon CB First Completion and immediately after full conversion of Convertible Bonds issued upon CB Second Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
GBT (Note 1)	500,000	0.03	500,000	0.03	500,000	0.03	500,000	0.02	500,000	0.02
Global Corn (Note 1)	977,778,000	64.01	259,813,000	17.01	259,813,000	17.01	259,813,000	11.72	259,813,000	8.94
Joint Offerors and parties acting in concert with them:										
Offeror A	-	-	358,982,500	23.50	358,982,500	23.50	703,982,500	31.75	1,048,982,500	36.08
Offeror B	43,264,000	2.83	402,246,500	26.33	402,246,500	26.33	747,246,500	33.70	1,092,246,500	37.57
Rich Mark Profits Limited (Note 2)	16,444,000	1.08	16,444,000	1.08	16,444,000	1.08	16,444,000	0.74	16,444,000	0.57
Sub-total of Joint Offerors and parties acting in concert with them	59,708,000	3.91	777,673,000	50.91	777,673,000	50.91	1,467,673,000	66.19	2,157,673,000	74.22
Other public Shareholders	489,600,000	32.05	489,600,000	32.05	489,600,000	32.05	489,600,000	22.07 (Note 3)	489,600,000	16.82 (Note 3)
Total	1,527,586,000	100.00	1,527,586,000	100.00	1,527,586,000	100.00	2,217,586,000	100.00	2,907,586,000	100.00

LETTER FROM THE BOARD

Notes:

- (1) Global Corn is a wholly-owned subsidiary of GBT.
- (2) Rich Mark Profits Limited is wholly-owned by the Offeror B.
- (3) This table is for illustrative purpose only. As disclosed in the paragraph headed “Issue of Convertible Bonds by under Specific Mandate – Principal terms of the Convertible Bonds”, Conversion Rights of the Bondholders are only exercisable when and provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in compliance with the Listing Rules.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after GSH Completion and before the Offer and CB Completion (assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to the GSH Completion Date and before the Offer and CB Completion); (iii) immediately after the Offer (assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to the date of completion of the Offer and assuming full public acceptance of the Offer, and placing down by the Joint Offerors equally to restore minimum public float) and before CB Completion; (iv) immediately after full conversion of the Convertible Bonds issued upon CB First Completion (assuming conversion of Convertible Bonds issued upon CB First Completion at a Conversion Price of HK\$0.1 per Conversion Share, and assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to CB First Completion Date); and (v) immediately after full conversion of the Convertible Bonds issued upon CB Second Completion (assuming conversion of Convertible Bonds issue upon CB Second Completion at a Conversion Price of HK\$0.1 per Conversion Share, and assuming no other changes to the shareholding structure of the Company from the Latest Practicable Date to CB Second Completion Date):

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after GSH Completion and before CB Completion and the Offer		After GSH Completion and immediately after the Offer (assuming full public acceptance of the Offer, and placing down by the Joint Offerors equally to restore minimum public float) and before CB Completion		After GSH Completion and the Offer (assuming full public acceptance of the Offer, and placing down by the Joint Offerors equally to restore minimum public float) and immediately after full conversion of the Convertible Bonds issued upon CB First Completion and before CB Second Completion		After GSH Completion, the Offer (assuming full public acceptance of the Offer, and placing down by the Joint Offerors equally to restore minimum public float) and full conversion of the Convertible Bonds issued upon CB First Completion and immediately after full conversion of Convertible Bonds issued upon CB Second Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
GBT (Note 1)	500,000	0.03	500,000	0.03	500,000	0.03	500,000	0.02	500,000	0.02
Global Corn (Note 1)	977,778,000	64.01	259,813,000	17.01	259,813,000	17.01	259,813,000	11.72	259,813,000	8.94
Joint Offerors and parties acting in concert with them:										
Offeror A	–	–	358,982,500	23.50	412,834,250	27.02	757,834,250	34.17	1,102,834,250	37.93
Offeror B	43,264,000	2.83	402,246,500	26.33	456,098,250	29.86	801,098,250	36.13	1,146,098,250	39.41
Rich Mark Profits Limited (Note 2)	16,444,000	1.08	16,444,000	1.08	16,444,000	1.08	16,444,000	0.74	16,444,000	0.57
Sub-total of Joint Offerors and parties acting in concert with them	59,708,000	3.91	777,673,000	50.91	885,376,500	57.96	1,575,376,500	71.04	2,265,376,500	77.91
Other public Shareholders	489,600,000	32.05	489,600,000	32.05	381,896,500	25.00	381,896,500	17.22	381,896,500	13.13
								(Note 3)		(Note 3)
Total	1,527,586,000	100.00	1,527,586,000	100.00	1,527,586,000	100.00	2,217,586,000	100.00	2,907,586,000	100.00

Notes:

- (1) Global Corn is a wholly-owned subsidiary of GBT.
- (2) Rich Mark Profits Limited is wholly-owned by the Offeror B.
- (3) This table is for illustrative purpose only. As disclosed in the paragraph headed “Issue of Convertible Bonds under Specific Mandate – Principal terms of the Convertible Bonds”, Conversion Rights of the Bondholders are only exercisable when and provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in compliance with the Listing Rules.

LETTER FROM THE BOARD

Completion of the CB Subscription is conditional upon, among other matters, the CB Subscription Agreement becoming unconditional in all respects and having been completed in accordance with its terms, and may or may not proceed. Shareholders and investors of the Company are advised to exercise caution when dealing in the securities of the Company and if they are in doubt about their position, they should consult their professional advisers.

5. INFORMATION OF THE PARTIES TO THE AGREEMENTS

GBT and the GBT Group

GBT is (i) the guaranteed party under the GSH Counter-guarantee Deed; and (ii) the parent company of the purchaser under the Dihao SPAs.

GBT is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00809). GBT is an investment holding company. The GBT Group is principally engaged in the manufacture and sale of corn refined products, amino acids and polyol chemicals.

The Company and the Group

The Company is (i) the issuer under the CB Subscription Agreement; (ii) the guarantor under the GSH Counter-guarantee Deed; and (iii) the parent company of the Dihao Vendors under the Dihao SPAs.

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03889). The Company was a non-wholly-owned subsidiary of GBT and was ultimately owned as to approximately 64.04% by GBT (approximately 64.01% through its wholly-owned subsidiary Global Corn and approximately 0.03% as beneficial owner) as at the Latest Practicable Date.

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners.

The Joint Offerors

The Joint Offerors are the subscribers under the CB Subscription Agreement.

LETTER FROM THE BOARD

Offeror A is Mr. Kong Zhanpeng. Mr. Kong, aged 60, has over 30 years of extensive experience in industrial industry, corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from China Textile University. Mr. Kong is one of the founders of GBT. Mr. Kong was also an executive director of GBT from May 2000 to September 2007 and from December 2013 to May 2014, the chief executive officer of GBT from October 2015 to October 2018 and the chief economist of GBT from December 2018 to December 2019. Mr. Kong was also an executive director of the Company from June 2006 to December 2018.

Offeror B is Mr. Wang Tiegung. Mr. Wang, aged 58, has over 30 years of extensive experience in sales and marketing. Mr. Wang holds a bachelor's degree in economics from Heilongjiang University. Mr. Wang is one of the founders of GBT. Mr. Wang was an executive director of GBT from September 2000 to September 2010.

The Joint Offerors, through their respective controlled companies, have been engaging in businesses including real property investment and the trading, logistics and storage services of corn and corn related products such as corn starch. The Group has been one of their customers for corn starch.

Dihao Vendor A, Dihao Vendor B and Dihao Vendor C and the Dihao Purchaser under the Dihao SPAs

Each of Dihao Vendor A, Dihao Vendor B and Dihao Vendor C is a limited liability company incorporated in Hong Kong which was wholly-owned by the Company as at the Latest Practicable Date and is principally engaged in investment holding.

The Dihao Purchaser is a limited liability company incorporated in Hong Kong which was wholly-owned by GBT as at the Latest Practicable Date and is principally engaged in investment holding.

Dihao Companies under the Dihao SPAs

Dihao Foodstuff is (i) one of the Dihao Companies under the Dihao SPAs; and (ii) a guaranteed party under the GSH Counter-guarantee Deed.

Dihao Foodstuff was a wholly foreign-owned enterprise established in the PRC with limited liability, the entire equity interest in which was owned as to approximately 31.4% by Dihao Vendor A and approximately 68.6% by Dihao Vendor B, which were both ultimately wholly-owned by the Company as at the Latest Practicable Date. Dihao Foodstuff is principally engaged in the manufacture and sale of corn starch, other corn refined products and corn based sweetener products.

LETTER FROM THE BOARD

Dihao Crystal Sugar is one of the Dihao Companies under the Dihao SPAs.

Dihao Crystal Sugar is a wholly foreign-owned enterprise established in the PRC with limited liability, the entire equity interest in which is owned as to approximately 73.0% by Dihao Vendor A and approximately 27.0% by Dihao Vendor C, which were all ultimately wholly-owned by the Company as at the Latest Practicable Date. Dihao Crystal Sugar is principally engaged in the manufacture and sale of crystallised glucose.

Each of Dihao Foodstuff and Dihao Crystal Sugar did not have any subsidiary as at the Latest Practicable Date.

6. IMPLICATIONS UNDER THE LISTING RULES AND TAKEOVERS CODE

CB Subscription

The Conversion Shares will be issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

Dihao Transfer

As one of the relevant percentage ratios exceeds 5% but below 25%, the Dihao Transfer is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GBT was a controlling Shareholder as at the Latest Practicable Date and shall remain as a substantial Shareholder and a connected person of the Company upon GSH Completion and Dihao Completion. The Dihao Transfer by the Company to GBT therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the relevant percentage ratios exceeds 5% but below 25% and the total consideration is less than HK\$10.0 million, the Dihao Transfer is subject to the announcement requirement but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the Dihao Transfer is an arrangement between the Company and GBT, an existing Shareholder, and such arrangement is not extended to all Shareholders, the Dihao Transfer constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Company has made an application to seek the consent of the Executive for the Dihao Transfer and such consent, if granted, will be subject to: (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Dihao Transfer are fair and reasonable; and (b) the approval of the Dihao Transfer by the Independent Shareholders by way of poll at the EGM.

LETTER FROM THE BOARD

GSH Counter-guarantee

As the highest applicable percentage ratio in respect of the GSH Counter-guarantee is above 25%, the GSH Counter-guarantee constitutes a major transaction for the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GBT was a controlling Shareholder as at the Latest Practicable Date. GBT is therefore a connected person of the Company and the provision of the GSH Counter-guarantee by the Company to GBT constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation arises where the relevant advance to an entity by listed issuer exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As the GSH Counter-guarantee exceeds 8% under the assets ratio of the Group, pursuant to Rule 13.13 of the Listing Rules, the Company is under a general obligation to disclose the details of the GSH Counter-guarantee under Chapter 13 of the Listing Rules.

As the GSH Counter-guarantee is an arrangement between the Company and GBT, an existing Shareholder, and such arrangement is not extended to all Shareholders, the GSH Counter-guarantee constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Company has made an application to seek the consent of the Executive for the GSH Counter-guarantee and such consent, if granted, will be subject to: (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the GSH Counter-guarantee are fair and reasonable; and (b) the approval of the GSH Counter-guarantee by the Independent Shareholders by way of poll at the EGM.

7. BOARD APPROVAL

As at the Latest Practicable Date, Mr. Wang Guicheng was the chairman of the Board and an executive Director and also an executive director of GBT. As at the Latest Practicable Date, Mr. Wang Guicheng held 500,000 shares in GBT (representing approximately 0.01% of the entire issued share capital of GBT) and 300,000 Shares (representing approximately 0.02% of the entire issued share capital of the Company). For good corporate governance, Mr. Wang Guicheng has abstained from voting on the Board resolutions approving the Special Deals and the CB Subscription. To the best knowledge of the Directors after making all reasonable enquiries, no Director has a material interest in the transactions in this circular and had to abstain from voting on the relevant Board resolutions on the basis of having material interest.

LETTER FROM THE BOARD

8. EGM

The Company will convene the EGM at Salon 1, 7/F, Harbour Plaza Metropolis Hotel, 7 Metropolis Drive, Hunghom, Kowloon, Hong Kong at 10:30 a.m. on Tuesday, 20 June 2023 to consider and, if thought fit, approve the Special Deals and the CB Subscription. A notice of the EGM is set out on pages 90 to 92 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

GBT and Global Corn held 500,000 Shares and 977,778,000 Shares, respectively, representing approximately 0.03% and approximately 64.01% of the entire issued share capital of the Company as at the Latest Practicable Date. Offeror B held 43,264,000 Shares, representing 2.83% of the entire issued share capital of the Company as at the Latest Practicable Date. Rich Mark Profits Limited, a company wholly-owned by Offeror B, held 16,444,000 Shares, representing 1.08% of the entire issued share capital of the Company as at the Latest Practicable Date.

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, save for GBT, Global Corn, Offeror B and Rich Mark Profits Limited, no Shareholder was interested in or was involved in the Special Deals and the CB Subscription and therefore would have to abstain from voting on the resolution(s) to be proposed at the EGM to approve, among other things, the Special Deals and the CB Subscription.

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 10:30 a.m. on Sunday, 18 June 2023 (Hong Kong time)) or any adjournment 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.

9. RECOMMENDATION

The Directors (including the independent non-executive Directors whose opinion has been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that each of the GSH Counter-guarantee and the CB Subscription is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions in the terms as set out in the notice of the EGM.

You are advised to read the letter from the Independent Board Committee set out on pages 43 to 44 of this circular for the recommendation of the Independent Board Committee in respect of the GSH Counter-guarantee and the Dihao Transfer (i.e. the Special Deals) and the CB Subscription.

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 43 to 44 of this circular which contains its advice to the Independent Shareholders regarding the Special Deals and the CB Subscription; (ii) the letter from Octal Capital set out on pages 45 to 79 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Special Deals and the CB Subscription and the principal factors and reasons taken into consideration in arriving at its respective advice; and (iii) the additional information set out in the appendices to this circular.

By order of the Board
Global Sweeteners Holdings Limited
Wang Guicheng
Chairman



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

31 May 2023

To the Independent Shareholders

Dear Sir or Madam,

- (1) SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ENTIRE EQUITY INTERESTS IN DIHAO
COMPANIES;**
- (2) SPECIAL DEAL, MAJOR AND CONNECTED TRANSACTION IN RELATION
TO PROVISION OF COUNTER-GUARANTEE AND INDEMNITY; AND**
- (3) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular issued by the Company to its shareholders and dated 31 May 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.

We have been appointed by the Board to consider the terms of each of the Special Deals and the CB Subscription and to advise the Independent Shareholders in connection with the Special Deals and the CB Subscription as to whether, in our opinion, the terms of each of the Special Deals and the CB Subscription are fair and reasonable, on normal commercial terms or better 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*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from Octal Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Octal Capital as set out in its letter of advice, we consider that, despite the Special Deals and the CB Subscription are not in the ordinary and usual course of business of the Company, the respective terms and conditions of each of the Special Deals and the CB Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and its Independent Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Special Deals and the CB Subscription at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Fan Yeran

Fong Wai Ho

Lo Kwing Yu

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

The following is the full text of a letter of advice from Octal Capital Limited to the Independent Board Committee in respect of the Special Deals and the CB Subscription which have been prepared for the purpose of incorporation in the Circular.



Octal Capital Limited
801-805, 8th Floor,
Nan Fung Tower
88 Connaught Road Central
Hong Kong

To the Independent Board Committee and Independent Shareholders

Dear Sir or Madam,

31 May 2023

**(1) SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF ENTIRE EQUITY INTERESTS IN DIHAO
COMPANIES;**

**(2) SPECIAL DEAL, MAJOR AND CONNECTED
TRANSACTION IN RELATION TO PROVISION OF COUNTER-GUARANTEE
AND INDEMNITY;**

AND

(3) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and Independent Shareholders in respect of the Dihao Transfer, the GSH Counter-guarantee Deed and the CB Subscription, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 31 May 2023 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 6 April 2023 (after trading hours), (i) Dihao Vendor A and Dihao Vendor B have conditionally agreed to sell, and the Dihao Purchaser has conditionally agreed to purchase, the Dihao Foodstuff Sale Interest at a consideration of RMB1.0; (ii) Pursuant to the Dihao SPA II, Dihao Vendor A and Dihao Vendor C have conditionally agreed to sell, and the Dihao Purchaser has conditionally agreed to purchase, the Dihao Crystal Sugar Sale Interest at a consideration of RMB1.0.

LETTER FROM OCTAL CAPITAL

Upon GSH Completion, the Company will cease to be a subsidiary of GBT. Upon Dihao Completion, Dihao Companies will cease to be subsidiaries of the Company and become wholly-owned subsidiaries of GBT. Pursuant to the Dihao SPAs, the Company shall execute and deliver to GBT and Dihao Foodstuff the GSH Counter-guarantee Deed at Dihao Completion, such that GSH will, among others, provide counter-guarantee and indemnity to GBT and Dihao Foodstuff in respect of the obligations and liabilities of GBT and Dihao Foodstuff which may incur and suffer under the Jinzhou Yuancheng Guarantees.

Takeovers Code Implications

As each of the Dihao Transfer and the GSH Counter-guarantee, i.e. the Special Deals, is an arrangement between the Company and GBT, an existing Shareholder, and such arrangement is not extended to all Shareholders, each of the Dihao Transfer and the GSH Counter-guarantee, constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The consent of the Executive for the Special Deals will be subject to (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Dihao Transfer are fair and reasonable; and (b) the approval of the Dihao Transfer by the Independent Shareholders by way of poll at the EGM. In this regard, Octal Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Special Deals and as to the voting in the EGM.

Listing Rules Implications

Dihao Transfer

As one of the relevant percentage ratios exceeds 5% but below 25%, the Dihao Transfer is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GBT is a controlling shareholder of the Company as at the Latest Practicable Date and shall remain as a substantial shareholder and a connected person of the Company upon GSH Completion and Dihao Completion. The Dihao Transfer therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the relevant percentage ratios exceeds 5% but below 25% and the total consideration is less than HK\$10.0 million, the Dihao Transfer is subject to the announcement requirement but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GSH Counter-guarantee

As the highest applicable percentage ratio in respect of the GSH Counter-guarantee is above 25%, the GSH Counter-guarantee constitutes a major transaction for the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM OCTAL CAPITAL

GBT is a controlling shareholder of the Company as at the Latest Practicable Date. GBT is therefore a connected person of the Company and the provision of the GSH Counter-guarantee by the Company to GBT constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CB Subscription

The Conversion Shares will be issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu, has been formed to advise the Independent Shareholders in respect of the Special Deals and the CB Subscription.

We, Octal Capital Limited, have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Special Deals and the CB Subscription. During the last two years, other than this appointment concerning the Special Deals and the CB Subscription; we have not entered into any engagement with the Company or GBT. 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 and substantial shareholders of the Company, GBT, or the Joint Offerors or any of their respective subsidiaries or associates. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code. As the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company, GBT, or the Joint Offerors, or any of their respective subsidiaries or associates and are considered suitable to give independent advice to the Independent Board Committee.

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 Dihao SPAs, the proposed GSH Counter-guarantee Deed and the CB Subscription Agreement; (ii) the annual reports of the Company for the three years ended 31 December 2022; (iii) the auditor's reports of Dihao Companies for the two years ended 31 December 2022; (iv) other information as set out in the Circular; and (v) 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

LETTER FROM OCTAL CAPITAL

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, Dihao Companies and the Dihao Vendors and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

Should there be any subsequent material changes which occur during the period from the Latest Practicable Date up to the date of the EGM, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

DIHAO TRANSFER

In arriving at our opinion regarding the terms of the Dihao SPAs and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Principal activities and business of the Group

The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products (“**Upstream Products**”). Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (which includes glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (which includes maltodextrin) (collectively “**Downstream Products**”).

As at the Latest Practicable Date, the Group's production facilities are summarized as below:

Location of production site	Major subsidiary of the Group operating the relevant production facilities	Manufacture and sale of	Production status as at the Latest Practicable Date
Shanghai	Shanghai Haocheng Food Development Co. Ltd	Downstream Products	In operation
Jinzhou	(1) Jinzhou Yuancheng (2) Jinzhou Dacheng Food Development Co. Ltd	(1) Upstream Products (2) Downstream Products	Suspension of production
Xinglongshan	Dihao Foodstuff	Downstream Products	Suspension of production
Luyuan District (<i>Note</i>)	(1) Dihao Foodstuff (2) Dihao Crystal Sugar	(1) Upstream and Downstream Products (2) Downstream Products, in particular crystallised glucose	Suspension of production

Note: The production in Luyuan District have been completely suspended and become idle since 2014. The land and buildings in Luyuan District are pending from the land resumption by the local government.

LETTER FROM OCTAL CAPITAL

2. Financial information of the Group

The table below sets out the audited financial information of the Group for the years ended 31 December 2020, 2021 and 2022 (the “**FY2020**”, “**FY2021**” and “**FY2022**”) extracted from the annual reports of the Company for FY2021 (the “**2021 Annual Report**”) and FY2022 (the “**2022 Annual Report**”).

<i>HK\$ '000</i>	FY2022 <i>(Audited)</i>	FY2021 <i>(Audited)</i>	FY2020 <i>(Audited)</i>
Revenue			
– Corn refined products	–	774	210,930
– Corn sweeteners	359,567	727,325	558,094
	<u>359,567</u>	<u>728,099</u>	<u>769,024</u>
Gross profit	27,267	41,588	77,866
Gross profit margin	7.6%	5.7%	10.1%
	<u> </u>	<u> </u>	<u> </u>
Loss after tax for the year	(212,491)	(96,262)	(8,726)
Excluding one-off/non-recurring items:			
(a) Gain on resumption of the Luyuan properties owned by Dihao Foodstuff (the “ Dihao Foodstuff Properties ”)	–	–	(289,356)
(b) Gain on debt restructuring (<i>Note</i>)	–	(128,279)	–
	<u> </u>	<u> </u>	<u> </u>
Adjusted loss after tax for the year	<u>(212,491)</u>	<u>(224,541)</u>	<u>(298,082)</u>

LETTER FROM OCTAL CAPITAL

Note: During FY2021, the Company recognized a one-off gain on debt restructuring of approximately HK\$128.3 million following the completion of the repurchase agreements dated 26 March 2021 entered into between Dihao Foodstuff and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*), an independent third party which is not a connected person of the Group. The one-off gain of approximately HK\$128.3 million (equivalent to RMB106.5 million) represented the difference between (a) the value of the repurchased indebtedness which consisted of the aggregate principal amount of approximately RMB198.6 million together with the outstanding interests of RMB21.4 million and (b) the consideration paid for the purchase of the Repurchased Indebtedness under the aforementioned repurchase agreements which amounted to approximately RMB113.5 million.

FY2020 vs FY2021

The Group's revenue decreased from approximately HK\$769.0 million for FY2020 to HK\$728.1 million for FY2021, and the gross profit declined from approximately HK\$77.9 million for FY2020 to HK\$41.6 million for FY2021. The Group's revenue was mainly derived from the sales of corn sweeteners and most of these products were produced from Shanghai production site. During FY2020 and FY2021, the Group suspended the operations of the sweeteners production facilities in Jinzhou and Xinglongshan sites and consolidated its resources into the Shanghai production site to increase the operational efficiency and reduce the operation costs of non-utilized production facilities. The suspension of production facilities in Jinzhou site resulted from the outbreak of the coronavirus disease ("COVID-19") and economic slowdown in the PRC which had an impact on the overall demand for corn refined products as downstream consumption shrunk, leading to a significant drop in the prices of the upstream products of the Group. As a result, the production facilities of Jinzhou Yuancheng, which are engaged in the production of Upstream Products, have been operating in low facility utilisation during the first quarter of 2020. Under such circumstance, the Board concluded that it was more favorable for the Group to suspend its upstream operation in the second quarter of 2020 and remained its suspension in FY2021. Therefore, the revenue of the Upstream Products was adversely affected during FY2021.

On the other hand, the suspension of the upstream production in both Jinzhou Yuancheng and Dacheng Bio-Tech (which is a subsidiary of GBT) cut off the supply of corn starch (in slurry form) which is the major raw material for the downstream production of corn sweeteners. As advised by the management of the Company, it was not cost-efficient for Dihao Foodstuff to purchase corn starch in powder form or in slurry form from independent third parties and carry out additional reprocessing procedures, considering the then market price of corn starch and the reprocessing cost. The poor sentiments in the sweeteners market as a result of the economic slowdown and the suspension of most of the commercial activities in the PRC during the first quarter of 2020 dragged down the prices of the Downstream Products. As such, the downstream production of both Dihao Foodstuff and Jinzhou Dacheng Food Development Co. Ltd. (which is a wholly-owned subsidiary of the Company) remained suspended in FY2020 and FY2021.

LETTER FROM OCTAL CAPITAL

During FY2020, the Group recorded a one-off gain from the resumption of the Dihao Foodstuff Properties which amounted to approximately HK\$289.4 million and thus net loss of the Group was substantially reduced to approximately HK\$8.7 million. During FY2021, the Group recorded a net loss of approximately HK\$96.3 million, which included a one-off gain on debt restructuring of HK\$128.3 million. If the one-off gain on resumption of the Dihao Foodstuff Properties in FY2020 and the one-off gain on debt restructuring in FY2021 were excluded, the Group's adjusted loss would be approximately HK\$298.1 million and HK\$224.5 million, respectively.

FY2021 vs FY2022

During FY2022, the Group recorded revenue of approximately HK\$359.6 million, representing a dramatic reduction of approximately 50.6% as compared to that in FY2021. The main reasons were due to (i) the suspension of the upstream and downstream production facilities in Jinzhou and Xinglongshan sites; and (ii) the suspension of the production facilities in Shanghai site in the second quarter of FY2022 for almost two months due to the lockdown measures implemented in Shanghai. The production output of the Group substantially reduced and the financial performance of the Group was negatively affected. Despite the dramatic decline in revenue and gross profit during FY2022, the Group's gross profit margin improved by approximately 1.9% to approximately 7.6% in 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 illustrated in the table above, in FY2021, the Group recorded a one-off gain on debt restructuring of approximately HK\$128.3 million and hence the Group recorded net loss after tax of HK\$96.3 million. In FY2022, due to the absence of the above-mentioned one-off gain on debt restructuring and the dramatic reduction in the gross profit, the Group recorded net loss of approximately HK\$212.5 million.

LETTER FROM OCTAL CAPITAL

Major items of the consolidated financial position of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 extracted from 2021 Annual Report and 2022 Annual Report are summarized in the following table.

<i>HK\$'000</i>	2022 <i>(Audited)</i>	As at 31 December 2021 <i>(Audited)</i>	2020 <i>(Audited)</i>
Property, plant and equipment	507,865	611,280	622,975
Other non-current assets	56,997	68,266	69,743
Non-current assets	564,862	679,546	692,718
Inventories	42,434	65,612	61,602
Trade receivables	48,960	99,667	96,047
Cash and bank balance	4,275	7,827	21,281
Prepayments, deposits and other receivables	26,576	48,750	432,876
Due from fellow subsidiaries	–	33,675	–
Current assets	122,245	255,531	611,806
Total assets	687,107	935,077	1,304,524
Interest-bearing bank and other borrowings	–	–	184,524
Other non-current liabilities	39,045	54,574	47,958
Non-current liabilities	39,045	54,574	232,482
Trade payables	85,882	113,804	253,200
Interest-bearing bank and other borrowings	795,353	927,540	811,039
Other current liabilities	447,794	339,734	432,661
Current liabilities	1,329,029	1,381,078	1,496,900
Total liabilities	1,368,074	1,435,652	1,729,382
Net current liabilities	1,206,784	1,125,547	885,094
Net liabilities	680,967	500,575	424,858
Interest-bearing bank and other borrowings (current and non-current)	795,353	927,540	995,563
Gearing ratio ^{Note}	116%	99%	76%

Note: The gearing ratio is calculated based on total interest-bearing bank and other borrowings divided by total assets.

LETTER FROM OCTAL CAPITAL

The Group has been in net current liabilities and net liabilities positions in the past three years due to its heavy indebtedness level and its loss-making status. The Group had approximately HK\$995.6 million, HK\$927.5 million and HK\$795.4 million of interest-bearing bank and other borrowings as at 31 December 2020, 31 December 2021 and 31 December 2022 respectively. During FY2021, the Group entered into a debt repurchase agreement with one of its creditors pursuant to which the Group purchased its debt owed to its creditor in an aggregate principal amount of RMB198.6 million with outstanding interest of approximately RMB21.4 million at the consideration of RMB113.5 million, the Group's financial obligations in relation to the said indebtedness have been discharged. During FY2022, as a result of net repayment of certain bank and other borrowings of approximately HK\$68.9 million and the exchange rate adjustment of approximately HK\$63.2 million, the interest-bearing bank and other borrowings had been reduced to HK\$795.4 million. However, due to the continuous loss-making status of the Group, the Group's net liabilities position was further increased to approximately HK\$681.0 million as at 31 December 2022 from approximately HK\$424.9 million as at 31 December 2020.

The Group recorded prepayments, deposits and other receivables of approximately HK\$432.9 million as at 31 December 2020, which included receivables from resumption of the Dihao Foodstuff Properties of approximately HK\$408.3 million and such amount had been fully received in FY2021. Such compensation was used for repayment of certain borrowings, amount due to fellow subsidiaries and trade payables during FY2021. Subsequently, the Group's prepayments, deposits and other receivables dropped to HK\$48.8 million as at 31 December 2021, which included frozen deposits by banks for settlement of loans of approximately HK\$28.8 million. Since such amount was used for loan settlement, the prepayments, deposits and other receivables dropped further to HK\$26.6 million as at 31 December 2022.

Taking into account the reduction of total assets and the bank and other borrowings by HK\$369.4 million and HK\$68.0 million in FY2021, respectively, the gearing ratio of the Group surged from approximately 76% as at 31 December 2020 to approximately 99% as at 31 December 2021. Due to a greater reduction in total assets of approximately HK\$248.0 million than the reduction of bank and other borrowings of approximately HK\$132.2 million, the gearing ratio of the Group increased further to 116% in FY2022.

Prospect of the Group

As discussed in the 2022 Annual Report, although the Group has resumed its production facilities in Shanghai site in the second half of 2022, the continued suspension of the Group's production facilities in the Jinzhou and Xinglongshan sites have substantially lowered the production output of the Group and negatively impacted the financial performance of the Group. The management of the Company expected that the operating environment of the Group in 2023 will improve as China reopens to its border and the PRC economy gradually gets back on track. Yet, it was expected that changes in consumption pattern and increased health awareness of the general public will put pressure on the traditional sugar/sweetener product market, and that geopolitical complexity will continue to add uncertainty to the global economy. Moreover, the auditor of the Company has raised material uncertainty relating to the ability of the Group to continue as going concern in the 2022 Annual Report because the Group had net current liabilities and capital deficiency of HK\$1,206.8 million and HK\$681.0 million as at 31 December 2022 respectively, and the Group has incurred losses since 2012 and reported a loss of HK\$212.5 million for FY2022.

LETTER FROM OCTAL CAPITAL

As disclosed in the Joint Announcement, the Company, the Joint Offerors and members of GBT Group have entered into various agreements to implement of the GSH Disposal, the Dihao Transfer and the CB Subscription (collectively the “**GSH Restructuring**”). Should the GSH Restructuring be completed, the Group’s financial conditions will improve significantly. By then, the Group can focus its efforts and other resources on enhancing operational efficiency, and allow its business to regain growth momentum. In addition, the new controlling shareholders of the Company (i.e. the Joint Offerors) have expressed its future development strategy of the Group which is to focus on the manufacture and sale of high-value added corn sweeteners (in particular high fructose corn syrup) targeting the food and beverage and pharmaceutical industries.

The Joint Offerors will provide funding to the Group through CB Subscription. The Company will allocate (i) RMB60.0 million of proceeds from CB Subscription for the preparation for the resumption of Jinzhou production facilities such as the expenses in relation to trial run and the procurement of raw materials; and (ii) the remaining RMB60.0 million of proceeds from CB Subscription for repayment of the first installment of the Jinzhou CCB Loans.

Overall speaking, the Directors expect that the GSH Restructuring will help to relieve the financial and cash flow pressure of the Group in the long run. From the operational perspective, the Group is expecting to restart the production activities of Jinzhou site in the third quarter of 2023 with a view to restore the overall production capacity of the Group back to the pre-pandemic level. The Group has no intention to restart the production activities of Dihao Companies in Xinglongshan site prior to Dihao Completion because the production facilities of Dihao Crystal Sugar is unable be relocated from Luyan District to Xinglongshan site as they are no longer suitable for production and the supply of corn starch in slurry form by Dacheng Bio-Tech to Dihao Foodstuff has not yet resumed.

3. Business and financial information of the Dihao Companies

Major financial information of the Dihao Companies for FY2021 and FY2022 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) are summarized in the below tables.

Dihao Crystal Sugar

<i>HK\$ '000</i>	FY2022 <i>(Audited)</i>	FY2021 <i>(Audited)</i>
Administrative expenses	(2,818)	(3,606)
Impairment loss	(390,315)	–
Tax credit	–	614
Loss after taxation	(393,133)	(2,992)

LETTER FROM OCTAL CAPITAL

Dihao Crystal Sugar is a wholly foreign-owned enterprise established in the PRC with limited liabilities and it is owned as to approximately 73.0% by Dihao Vendor A and approximately 27.0% by Dihao Vendor C. Dihao Crystal Sugar is principally engaged in the manufacture and sale of crystallised glucose in its production facilities located in Luyuan District, Changchun, Jilin Province. It sources raw materials (principally corn starch) for the manufacturing of crystallised glucose. Its operation has been suspended in response to the land resumption proposal called by the then local government since 2014, and no revenue was generated during FY2021 and FY2022. The production facilities have been idle in Luyuan District since 2014 and are no longer suitable for production. The management of the Company advised that a majority of production equipment of Dihao Crystal Sugar was pending for relocation to Xinglongshan site which did not proceed during 2017 to 2018 due to the fact that the Group was financially tight. As such, Dihao Crystal Sugar is unlikely to resume its production in the short term unless there are new capital to revamp and revive its production facilities. The operation of the production facilities in Jinzhou site has been suspended since 2020 where regular maintenance check has been carried out, and it is more ready to resume production within a short period of time with a relatively small amount of capital injection. On balance, the Company considered that resuming the production activities in Jinzhou site is more beneficial to the Group.

During the three years ended 31 December 2022, major administrative expenses of Dihao Crystal Sugar were depreciation and amortization of property, plant and equipment and miscellaneous government charges. As at the Latest Practicable Date, there was no plan to resume its production in near future due to the reasons mentioned as above. In FY2022, the amount due from the Group have been accumulated to approximately HK\$390.3 million which was related to the intercompany transactions between Dihao Crystal Sugar and the Group since the establishment of Dihao Crystal Sugar. Since the Group has been lacking sufficient financial resources to settle the inter-company balance due to Dihao Crystal Sugar, it is commercially sensible to fully write off the inter-company balance before the Dihao Completion.

LETTER FROM OCTAL CAPITAL

Dihao Foodstuff

<i>HK\$ '000</i>	FY2022 <i>(Audited)</i>	FY2021 <i>(Audited)</i>
Revenue	–	931
Cost of sales	–	(742)
Gross profit	–	189
Other income and gains	1,817	133,644
Selling and distribution expenses	(1,622)	(3,712)
Administrative expenses	(25,129)	(21,512)
Other operating expenses	(15,395)	(18,365)
Impairment loss	(483,949)	–
Finance costs	(27,937)	(25,153)
(Loss)/profit before taxation	(552,215)	65,091
Income tax expenses	–	(11,459)
(Loss)/profit after taxation	<u>(552,215)</u>	<u>53,632</u>

Dihao Foodstuff is a wholly-foreign-owned enterprise established in the PRC with limited liability. The entire equity interest of Dihao Foodstuff was owned as to approximately 31.4% by Dihao Vendor A and approximately 68.6% by Dihao Vendor B, which were both ultimately wholly-owned by the Company as at the Latest Practicable Date. Dihao Foodstuff's production facilities were initially located in Luyuan District, Changchun, Jilin Province. Due to the land resumption called by the then local government, its production facilities were relocated to Xinglongshan, Changchun, Jilin Province during 2017 to 2018. Currently, Dihao Foodstuff is principally engaged in the manufacture and sale of corn sweetener products, including glucose/maltose and maltodextrin and is mainly servicing the low-end corn sweetener market in Northeast part of China.

LETTER FROM OCTAL CAPITAL

As disclosed in the announcements of the Company and GBT dated 10 February 2020, both operation of Dihao Foodstuff and Dacheng Bio-Tech suspended since February 2020 due to the outbreak of COVID-19 and economic slowdown in the PRC, which led to the overall demand for corn refined products as downstream consumption shrunk and thus caused the prices of the upstream products of the Group to drop significantly. Since Dacheng Bio-Tech is a major supplier of corn starch in slurry form for Dihao Foodstuff in the Xinglongshan site, the production suspension of Dacheng Bio-Tech cut-off the supply of corn starch (in slurry form which was transferred through a pipeline arrangement) to Dihao Foodstuff. Moreover, Dihao Foodstuff's production system requires raw materials being continuously in motion and it is infeasible to stock up corn starch slurry for production purpose. The management of the Company considered that it was not cost-efficient for Dihao Foodstuff to purchase corn starch in slurry or powder form from independent third parties in view of the additional transportation cost and reprocessing cost. Dihao Foodstuff continued to sell its remaining inventories and recorded minimal revenue of approximately HK\$0.9 million in FY2021. During FY2021, Dihao Foodstuff recorded a one-off gain from the debt restructuring of approximately HK\$128.3 million and recorded net profit after taxation of HK\$53.6 million. Excluding such one-off gain, Dihao Foodstuff recorded net loss after taxation of approximately HK\$74.7 million in FY2021.

In FY2022, the amount due from the Group have been accumulated to approximately HK\$483.9 million which mainly included the transfer of land compensation of approximately RMB443.0 million to the Group and miscellaneous intercompany transactions. Since the Group has been lacking sufficient financial resources to settle the inter-company balance due to Dihao Foodstuff, it is commercially sensible to fully write off the inter-company balance before the Dihao Completion. As at the Latest Practicable Date, the management of the Company advised that there is no plan to resume the production of Dihao Foodstuff due to the lack of operating cash, and the supply of corn starch in slurry form by Dacheng Bio-Tech has not yet resumed.

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Major items of the financial position of Dihao Foodstuff and Dihao Crystal Sugar as at 31 December 2022 prepared in accordance with HKFRS issued by the HKICPA are summarized as below.

<i>HK\$ '000</i>	As at 31 December 2022	
	Dihao Foodstuff (Audited)	Dihao Crystal Sugar (Audited)
Property, plant and equipment	113,748	18,792
Right-of-use assets	11,968	3,334
Non-current assets	125,716	22,126
Cash and cash equivalent	1	–
Trade and other receivables	12,292	–
Other current assets	350	31
Current assets	12,643	31
Total assets	138,359	22,157
Non-current liabilities	38,327	–
Trade and other payable	118,725	43,492
Tax payable	–	23,171
Interest-bearing bank and other borrowings	339,102	–
Due to fellow subsidiaries of GBT	6,319	–
Current liabilities	464,146	66,663
Total liabilities	502,473	66,663
Net liabilities	364,114	44,506

Dihao Crystal Sugar has not been in operation since March 2014. The major assets of Dihao Crystal Sugar are the land use rights in Luyuan District and the buildings erected thereon with an aggregate carrying amount of approximately HK\$22.1 million as at 31 December 2022. As at 31 December 2022, Dihao Crystal Sugar recorded net liabilities of approximately HK\$44.5 million, resulting from (i) the value-added tax payable of approximately HK\$23.2 million; (ii) the long-outstanding payable amount due to various suppliers of HK\$43.5 million; and (iii) the continuous loss-making performance of Dihao Crystal Sugar.

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Dihao Foodstuff has suspended its production activities in the Xinglongshan site since 2020. The assets of Dihao Foodstuff are mainly the land use rights in Luyuan District and the buildings erected thereon with an aggregate carrying amount of approximately HK\$125.7 million as at 31 December 2022. As at 31 December 2022, the interest-bearing bank and other borrowings were approximately HK\$339.1 million, resulting in net liabilities of approximately HK\$364.1 million.

4. Reasons for and benefits of the Dihao Transfer

Aligning with the business development of the Group after the GSH Completion

As set out in the Letter from the Board, the Joint Offerors expressed their interests in taking over the Group and offering new capital for repayment of certain loans and resuming certain production facilities of the Group under a pre-requisite condition that the Dihao Companies could be separated from the Group upon completion of GSH Completion. The ultimate objectives of the GSH Disposal and Dihao Transfer are to restructure and rationalize the management, financial performance, debt management and administration of land resumption among the GBT Group and the Group after the Group ceases to be subsidiaries of GBT.

In particular, from management perspective, Dihao Companies are situated in Xinglongshan, Changchun where the major production facilities of the GBT Group are situated, whereas all other production facilities of the Group are situated in Shanghai and Jinzhou. As such, the Dihao Transfer would enable the Dihao Companies to be centrally managed under the management of the GBT Group in the same location, which could enhance the cost and operational efficiency, create potential synergies and reduce the connected transactions between the GBT Group and the Group. On the other hand, the production facilities of the Dihao Companies have been suspended for a long period of time and their facilities have to be either repaired or replaced in order to restart their production activities. Given the Group do not have sufficient funding to carry out repairment or replacement of production facilities, it is unlikely that the production of the Dihao Companies to be resumed in the short-run and is not cost-effective to maintain such unutilized production facilities.

Upon the completion of the GSH Restructuring, the Joint Offerors' future development strategy is to focus on the manufacture and sale of high-value added corn sweeteners (in particular high fructose corn syrup) in the Shanghai site and target on the food and beverage and pharmaceutical industries, and markets in Huadong region (華東地區) where many food and beverages factories for the production of bottled drinks, candies, packaged sweets, juice beverages, fast food, etc. are located. Due to the high transportation cost and long delivery time associated with liquid sweeteners to the end user market in Huadong region, Dihao Companies are less competitive. The Joint Offerors have expressed their views that Dihao Companies do not fit into their future development strategy.

Having considered the above, we agree that the Dihao Transfer is in line with the intention of the Joint Offerors and the future development strategy of the Group upon the completion of GSH Restructuring.

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Centralizing the management of the land resumption under the GBT Group

The Dihao Companies and certain members of the GBT Group are owners of certain land and buildings in Luyuan District that are subject to resumption. As disclosed in the announcements of the Company dated 24 August 2020 and 30 September 2020, certain land of Dihao Companies were resumed by Luyuan Government and the Dihao Companies received land compensation of approximately RMB443.0 million for the land of approximately 149,249 square meters (i.e. the average compensation per square meter is approximately RMB2,968). The remaining land owned by Dihao Companies is approximately 100,000 square meter, representing one-seventh of the Remaining Luyuan Properties. The management of the Company estimated that the compensation to be received will be in the range of RMB270 million to RMB290 million by proportioning the amount of compensation received in 2020 by the relative sizes of land. The estimated compensation considered various factors, among others, the area of infrastructure erected on the land, the areas of buildings with legal property titles and the real estate market in Changchun. However, such estimated compensation are not enough to fully settle the outstanding bank and other borrowings of Dihao Foodstuff. In view of the fact that Dihao Companies only own approximately around one-seventh of the Remaining Luyuan Properties and such portion has been used as security for loans, it is more efficient for GBT, as the ultimate owner of the majority of the Remaining Luyuan Properties, to be in charge of the negotiation, valuation of land and execution of the land transfer in the resumption. The decision-making process of Dihao Companies will be solely handled by the management of the GBT Group which speeds up the whole decision-making process and less administrative hurdles are expected if only one decision-making party is involved.

After the Dihao Completion, the new management of the Group would concentrate its effort in its own business operation without having to expend resources to participate in the negotiation for the land resumption.

Continuous loss-making performance and high indebtedness of the Dihao Companies

Due to the concentration of low-end users in the sweeteners market in the Northeast China, economic slowdown in the China in the past years and the protectionist agricultural policy in favour of corn farmers, the business environment of the Dihao Companies is challenging. Therefore, the production capacity of the Dihao Companies had been scaled down since March 2014 and all their productions were suspended since February 2020. The Dihao Companies have been no longer generating revenue but still incur sunk costs and finance costs which imposed further financial burden of the Group. Due to the continuous loss-making performance, Dihao Foodstuff and Dihao Crystal Sugar recorded net liabilities of approximately HK\$364.1 million and approximately HK\$44.5 million, respectively, as at 31 December 2022.

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Dihao Foodstuff has outstanding interest-bearing bank and other borrowings of approximately HK\$339.1 million. In FY2020, Dihao Foodstuff's outstanding loan of RMB180 million together with the outstanding interests in respect of such loan has been transferred to a new creditor at discounted price. Afterwards, the management of the Company has been exploring the next step of the debt restructuring plan of Dihao Foodstuff. However, the management of the Company understood that other lenders and creditors are willing to engage in such debt restructuring plan because Jilin SASAC has indirect control of Dihao Foodstuff through GBT at this stage. Upon GSH Completion, the Company will no longer be under the indirect control of Jilin SASAC after GBT ceases to be the controlling shareholder of the Company. Without the indirect control and support of Jilin SASAC on Dihao Foodstuff, other lenders and creditors may not continue supporting the debt restructuring plan of Dihao Foodstuff or even demand for more costly terms for the debt restructuring plan. Therefore, it is necessary to carry out Dihao Transfer to allow Dihao Foodstuff to be under the indirect control of Jilin SASAC.

After the Dihao Completion, Dihao Companies will no longer be subsidiaries of the Company and their result will not be consolidated into the financial results of the Company and accordingly the Group's indebtedness level and operating cost burden will be immediately reduced.

Uncertain business prospect of the Dihao Companies

The production facilities of the Dihao Companies are located in Xinglongshan of Changchun in the PRC and their corn sweeteners are mainly supplied to low-end customers in the Northeast China. Due to the concentration of low-end users in the sweetener market in Northeast China, economic slowdown in China in the past years and the protectionist agricultural policy in favour of corn farmers, the geographical market sentiment are not favorable to the Dihao Companies. Therefore, the operation of the Dihao Companies have been down-sized since March 2014 and Dihao Companies have been loss-making since 2014. On the other hand, the operation of Dacheng Bio-Tech, from which Dihao Foodstuff purchases corn starch in slurry form under a pipeline transfer system, has been suspended. The management of the Company considers that it is not cost efficient for Dihao Foodstuff to purchase corn starch in slurry or powder form from independent third parties and conduct reprocessing procedures. Due to the lack of supply of principal raw materials (corn starch in slurry form) from Dacheng Bio-Tech, the production of Dihao Foodstuff has been suspended since February 2020.

As advised by the management of the Company, since there is no new funding to fix the production facilities and conduct trial run, and the lack of supply of corn starch in slurry form from Dacheng Bio-Tech, the production of the Dihao Companies are unlikely to be resumed in near future. Moreover, there is regional differences in term of pricing and profit margin of corn sweetener products in the PRC. The price of corn sweeteners (a major product of Dihao Companies) has not kept up with the increase in corn prices, particularly in regions where the Dihao Companies operate which serve low-end customers. The Dihao Companies are difficult to pass on the higher corn costs to their customers, as a result the Dihao Companies may not be able to turn around from its deep loss-making position in short term.

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As such, the Dihao Transfer provides an opportunity for the Company to offload these loss-making and high-indebted subsidiaries. Upon the Dihao Completion, the Company is expected to record a one-off gain of approximately HK\$408.6 million and reduce the indebtedness level of the Group.

Taking into account that (i) the Group has no sufficient financial resources to restart the production activities of Dihao Companies; (ii) the debt restructuring plan of Dihao Foodstuff may not be supported by the lenders and creditors without the indirect control of Jilin SASAC on Dihao Foodstuff; (iii) the Dihao Transfer allows the Group to offload the idle assets and loss-making business units; (iv) the indebtedness level and operating cost burden of the Group could be relieved upon Dihao Completion; (v) the Dihao Transfer allows the Group to consolidate its resources towards the high-end users in the sweetener market; and (vi) the Dihao Transfer is in line with the intention of the Joint Offerors and the future development plan of the Group under the leadership of the Joint Offerors; we concur with the Directors that the Dihao Transfer is commercially justified.

5. Terms of the Dihao Transfer

The major terms of the Dihao SPAs are summarized as below:

Date: 6 April 2023 (after trading hours)

Parties:

Dihao SPA I:

- (1) Dihao Vendor A and Dihao Vendor B (all being wholly-owned subsidiaries of the Company)
- (2) Dihao Purchaser (a wholly-owned subsidiary of GBT)

Dihao SPA II:

- (1) Dihao Vendor A and Dihao Vendor C (all being wholly-owned subsidiaries of the Company)
- (2) Dihao Purchaser (a wholly-owned subsidiary of GBT)

Assets to be disposed of:

Pursuant to the Dihao SPA I, (i) Dihao Vendor A and Dihao Vendor B have conditionally agreed to sell, and the Dihao Purchaser has conditionally agreed to purchase, the Dihao Foodstuff Sale Interest. Pursuant to the Dihao SPA II, (ii) Dihao Vendor A and Dihao Vendor C have conditionally agreed to sell, and the Dihao Purchaser has conditionally agreed to purchase, the Dihao Crystal Sugar Sale Interest, free from all encumbrances.

Consideration:

The aggregate consideration for the Dihao Transfer is RMB2.0, of which RMB1.0 and RMB1.0 are attributable to the Dihao Foodstuff Sale Interest under the Dihao SPA I and the Dihao Crystal Sugar Sale Interest under the Dihao SPA II, respectively.

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Payment:

The consideration shall be settled by the Dihao Purchaser by paying the Dihao Vendors in cash on the Dihao Completion Date and shall be satisfied with internal resources of the GBT Group.

For further details of the terms of the Dihao SPAs, please refer to the Letter from the Board.

6. Basis of the consideration for the Dihao Transfer

As disclosed in the Letter from the Board, the consideration was determined after arm's length negotiations between the Dihao Vendors and the Dihao Purchaser taking into account (i) the net liabilities value of the Dihao Companies as at 31 December 2022 of approximately HK\$408.6 million; (ii) the loss-making position of the Dihao Companies in recent financial periods as elaborated in the paragraph headed "Reasons for and Benefits of the Dihao Transfer" in the Letter from the Board; and (iii) the preliminary estimation of compensation for the resumption of the portion of the Remaining Luyuan Properties owned by the Dihao Companies of approximately RMB270.0 million to RMB290.0 million, the basis of estimation of which is further elaborated in the paragraph headed "Reasons for and Benefits of the Dihao Transfer" in the Letter from the Board.

We have reviewed the net liabilities of Dihao Crystal Sugar and Dihao Foodstuff as at 31 December 2022, which in aggregate were approximately HK\$408.6 million, including bank and other borrowings of HK\$339.1 million. It is expected that the Group, following the Dihao Completion, will record a net gain of approximately HK\$408.6 million.

The management of the Company estimated that the possible compensation from land resumption with an area of approximately 100,000 square meter will be in the range of RMB270 million and RMB290 million. Taking into account of the estimated maximum compensation of RMB290 million (equivalent to approximately HK\$333.5 million) for repaying part of the bank and other borrowings, for reference purpose, the net liabilities of Dihao Crystal Sugar and Dihao Foodstuff may be reduced from HK\$408.6 million to HK\$75.1 million. Despite the fact that the Group has been in negotiation with the Luyuan Government regularly, the Remaining Luyuan Properties have remained in the process of resumption due to the prolonged negotiations on areas including the fair amount of compensation to be received and the arrangements with the lenders of the loans for which certain Remaining Luyuan Properties are pledged as security for loans. As advised by the management of the Company, the relevant compensation received by the Dihao Companies in 2020 took a substantially long negotiation process with the Luyuan Government and it is expected that the resumption of the Remaining Luyuan Properties would face similar situation which may involve lengthy and bureaucratic negotiation. As disclosed in the Letter from the Board, after Dihao Completion, the completion of the resumption of the Remaining Luyuan Properties is expected to around 2024 to 2025.

The Directors preliminarily estimated the compensation for the portion of the Remaining Luyuan Properties owned by Dihao Companies and a land area of approximately 100,000 square meters to be approximately RMB270.0 million to RMB290.0 million by proportioning

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the amount of compensation received in 2020 for the land which completed resumption in 2020 by the relative sizes of land. We noticed that the estimated maximum compensation (i.e. RMB290 million) is based on (i) the actual compensation stipulated in the compensation agreement entered into between Dihao Foodstuff and the local government in September 2020 (the “**Compensation Agreement**”); and (ii) the estimated area of lands and buildings to be recalled by the local government. The minimum compensation (i.e. RMB270 million) included a 7% discount factor taking into account of the 2023 Housing Price Index of Chanchung (新建商品住宅銷售價格指數) and the recent economic downturn in Changchun. In order to assess the reasonableness of the estimated compensation, we checked the terms stipulated in the Compensation Agreement and confirmed the data used in the estimation is same as those agreed amount shown in the Compensation Agreement. Moreover, we understand from the management of the Company that the local government did not disclose the resumption cost of other industrial land to the public. Furthermore, the Company is still negotiating the next phase of compensation based on the agreed terms in the Compensation Agreement.

According to the statistics disclosed on the website of Changchun Bureau of Statistics, the GDP of Changchun in 2022 decreased by approximately 5.05% as compared to that in 2021. According to the statistics on the website of Changchun Bureau of Statistics, sales revenue and sales volume of commercial properties in Changchun for 2022 dropped by approximately 46.6% and 47.4%, respectively as compared to that in 2021, indicating that the real estate market in Changchun is facing a major downturn. Due to the cooldown in the real estate market in Changchun, we concur with the management’s estimation that the local government may reduce the land and building compensation in the next phase of land resumption.

Based on the above, we consider that the basis for determining the possible compensation by the Company is fair and reasonable.

We also understood from the Company that Dihao Foodstuff began the negotiation with the local government about the land resumption from 2017. The Company and the local government eventually entered into a compensation agreement with total consideration of approximately RMB443.0 million in September 2020. The whole negotiation took more than 3 years and involved various level of government officials and departments to get the relevant approval. Considering the current real estate market and the complicated government structure, the next phase of negotiation for the Remaining Luyuan Properties shall face a similar timetable, as such, we concur that the resumption of the Remaining Luyuan Properties may involve lengthy and bureaucratic negotiation.

Based on the above, in particular that (i) the Dihao Companies are heavily indebted (including interest-bearing bank and other borrowings of HK\$339.1 million) with net liabilities position of HK\$408.6 million; (ii) the continuous loss-making performance of the Dihao Companies in the recent two financial years; (iii) all production activities of the Dihao Companies have been suspended and are unlikely to resume in the near future, we can foresee that the net liabilities of Dihao Companies may not be improved and returned to a net asset position in a short term, even though that the Dihao Companies may receive compensation from the land resumption and use such compensation for partial loan repayment. On the other hand, upon the Dihao Completion, the Dihao Transfer will result in a net gain of approximately HK\$408.6

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million and reduce the Group's indebtedness by HK\$399.1 million. Taking into account of the possible positive financial impact of Dihao Transfer to be brought to the Group, we are of the view that the nominal consideration of RMB2.0 for the Dihao Transfer is fair and reasonable.

7. Financial Effect of Dihao Transfer

Upon the Dihao Completion, the financial effect of the Dihao Transfer on the Group are as follow:

a. Earnings

Upon the Dihao Completion, the Group shall not have any equity interest in the Dihao Companies and the financial performance and position of the Dihao Companies will no longer be consolidated in the financial statement of the Group.

Upon Dihao Completion, it is estimated that the Group will record a one-off gain of approximately HK\$408.6 million, being the premium of the consideration over the net liabilities of Dihao Companies of approximately HK\$408.6 million as at 31 December 2022 without taking into account the relevant expenses of the Dihao Transfer.

b. Net liabilities

As at 31 December 2022, the audited net liabilities of the Group were approximately HK\$681.0 million. Upon the Dihao Completion, the net liabilities of the Group is expected to be reduced by at least HK\$408.6 million (without taking into account of the relevant expenses) due to the recognition of a one-off gain on disposal of Dihao Companies.

c. Gearing

As at 31 December 2022, the bank and other borrowings of the Group is amounted to approximately HK\$795.4 million which included the bank and other borrowings of the Dihao Foodstuff of approximately HK\$339.1 million. Upon the Dihao Completion, the bank and other borrowings of the Group is expected to be reduced by approximately HK\$339.1 million.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial result and the financial position of the Group will be upon the Dihao Completion.

GSH COUNTER-GUARANTEE

As disclosed in the Letter from the Board, (i) GBT and Dihao Foodstuff have been guarantors in relation to Jinzhou CCB Loans and (ii) Dihao Foodstuff has been a guarantor in relation to Teibei BOJ Loans. For background and details of the Jinzhou CCB Loans and the Teibei BOJ Loans, please refer to the section headed "Provision of Counter-Guarantee and Indemnity" in the Letter from the Board.

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Upon GSH Completion, the Company will cease to be a subsidiary of GBT. Upon Dihao Completion, Dihao Foodstuff will cease to be a subsidiary of the Company and will become a wholly-owned subsidiary of GBT. In light of the change in the shareholding structure of the Company and the disposal of the Dihao Companies by the Company, it is logical to release the guarantor obligations of GBT and Dihao Foodstuff in relation to Jinzhou CCB Loans and Teibei BOJ Loans as each of GBT and Dihao Foodstuff will no longer be the ultimate holding company and fellow subsidiary of Jinzhou Yuancheng following the GSH Completion and the Dihao Completion. However, financial resources for full repayment of Jinzhou Yuancheng Loans may not be immediately available; change of guarantors under the Jinzhou Yuancheng Guarantees will require consent of the lenders and may also not be immediately achievable. The Company, GBT and Dihao Foodstuff will have to negotiate with the lenders and the change of guarantors may be subject to clearance that has to be sought under the internal policy and procedures of the lenders. Hence, it is unlikely that release of the obligations and liabilities of GBT and Dihao Foodstuff under the Jinzhou Yuancheng Guarantees can be secured in the near future.

As such, the termination of the existing guarantee arrangement will not be immediately effective upon the Dihao Completion and the GSH Completion. Pursuant to the proposed GSH Counter-guarantee Deed, the Company will provide counter-guarantee and indemnity to GBT and Dihao Foodstuff, such that subsequent to the Dihao Completion date, GBT and Dihao Foodstuff will be covered for the obligations and liabilities it may incur or bear under the Jinzhou Yuancheng Guarantees. Since it takes processing time for the release of the guarantee arrangement under the Jinzhou Yuancheng Guarantees, the term for the GSH Counter-guarantee will be valid from the Dihao Completion Date until the day on which all of the obligations and liabilities of GBT and Dihao Foodstuff under Jinzhou Yuancheng Guarantees are fully and effectively released. As advised by the management of the Company, the Company will use their best effort to obtain the relevant approval from the lenders in order to clearly delineate the business and financial relationship between the Group and the GBT Group which is one of the core objectives of the GSH Disposal.

Pursuant to the GSH Counter-guarantee Deed, the maximum principal amount of the debts under the Jinzhou Yuancheng Guarantees in respect of which the Company shall indemnify GBT or Dihao Foodstuff is RMB401.5 million, which is equivalent to the outstanding principal amount under the Jinzhou Yuancheng Loans. The financial guarantee contract liabilities recognized in relation to the GSH Counter-guarantee Deed granted by the Company will be fully offset by the financial guarantee contract assets recognized in relation to the Yuancheng CCB Guarantees and the Yuancheng Tiebei Guarantees received by Jinzhou Yuancheng. Therefore, the GSH Counter-guarantee Deed will not have any material impact on the financial position of the Group.

Given that (i) the GSH Counter-guarantee Deed is only an interim solution to give extra time for the Company to arrange the release of the existing guarantors and propose a new guarantor for the lenders; and (ii) the GSH Counter-guarantee Deed will not cause adverse impact to the operation and financial position of the Company, we are of the opinion that entering into the proposed GSH Counter-Guarantee Deed is in the interests of the Company and the Independent Shareholders as a whole.

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SPECIAL DEALS

Each of the Dihao Transfer and the GSH Counter-Guarantee is an arrangement between the Company and GBT, which is an existing shareholder of the Company, and such arrangement is not extended to all Shareholders. The Dihao Transfer and the GSH Counter-Guarantee constitute special deals under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Joint Offerors will make an application to see the consent of the Executive for the Special Deals, and such consent, if granted, will be subject to the approval by the Independent Shareholders by way of poll at the EGM.

Taking into account that (i) the net liabilities position of the Group as at 31 December 2022 has reached HK\$681.0 million and it is imminent to improve its financial position by disposing the heavily-indebted Dihao Companies; (ii) upon the GSH Completion, the Group is strategically re-positioned as manufacturing and sale of high value-added corn sweeteners targeting the food and beverage industry and pharmaceutical industry in Huadong region, focusing on the high-end users in the sweetener market and enhance the Group's capability in developing high value-added products while the Dihao Transfer allows the Group to dispose its loss-making subsidiaries operating in the low-end sweeteners market, which is in line with the Group's new development strategy under the leadership of the Joint Offerors; (iii) GSH Counter-Guarantee provides a transitional arrangement for the Company to negotiate a new guarantee arrangement with the lenders after the change of controlling shareholders of the Company and the disposal of Dihao Foodstuff; (iv) the Special Deals are subject to the approval from the Independent Shareholders at the EGM; and (v) the Dihao Transfer and GSH Counter-Guarantee will not proceed without the consent to the Special Deals by the Executive, we are of the view that the terms of the Special Deals are fair and reasonable, and in the interest of the Independent Shareholders.

ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 6 April 2023 (after trading hours), the Company entered into the CB Subscription Agreement with the Joint Offerors as subscribers, pursuant to which the Company has conditionally agreed to issue, and the Joint Offerors have conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK\$138.0 million) subject to the terms and conditions set out in the CB Subscription Agreement.

1. CB Subscription Agreement

Details of the CB Subscription Agreement are set out below:

- Date : 6 April 2023 (after trading hours)
- Parties : (i) the Company, as the issuer; and
(ii) the Joint Offerors, as the subscribers

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To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Joint Offerors are third parties independent of and not connected with the Company and their respective connected persons as at the date of the CB Subscription Agreement and prior to the GSH Completion.

Pursuant to the CB Subscription Agreement, the Company has conditionally agreed to issue and the Joint Offerors, as the subscribers, have conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK\$138.0 million), which may be converted into the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds. Completion of the CB Subscription shall take place in two tranches. The principal amount of Convertible Bonds to be acquired by each of the Joint Offerors shall be as follows:

Offeror A: RMB60.0 million (subscription of RMB30.0 million upon CB First Completion; and the remaining RMB30.0 million upon CB Second Completion)

Offeror B: RMB60.0 million (subscription of RMB30.0 million upon CB First Completion; and the remaining RMB30.0 million upon CB Second Completion)

For the details of the terms of CB Subscription Agreement, please refer to the Letter from the Board.

Principal terms of the Convertible Bonds are summarized as below:

Issuer	:	The Company
Principal Amount	:	RMB120.0 million (equivalent to approximately HK\$138.0 million)
Interest Rate	:	5.0% per annum
Maturity Date	:	the date falling on the third anniversary of the issue of the Convertible Bonds (i.e., the CB Maturity Date)
Conversion Price	:	HK\$0.1 per Conversion Share, subject to adjustments.

The Conversion Price was determined after arm's length negotiations between the Company and the Joint Offerors with reference to (i) the par value of the Shares, being the minimum price for issuing new Shares in accordance with the laws of the Cayman Islands; and, (ii) the prevailing market price of the Shares.

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Conversion Shares : The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the Conversion Rights in full at the initial Conversion Price of HK\$0.1 per Conversion Share, a total of 1,380,000,000 Conversion Shares will be issued with an aggregate nominal value of HK\$138,000,000.

Adjustment to Conversion Price: The initial Conversion Price will be subject to adjustments upon the occurrence of the following events:

(i) *Consolidation and subdivision*

If and whenever there shall be an alteration to the share capital of the Company as a result of consolidation or subdivision, the initial Conversion Price shall be adjusted by multiplying the initial Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of issued Shares immediately before such alteration; and

B is the number of issued Shares immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

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(ii) *Other events*

If the Company considers that it would be appropriate for an adjustment to be made to the initial Conversion Price as a result of one or more events or circumstances not referred to in the sub-paragraph above, the Company shall at its own expense, request an approved merchant bank or the auditors of the Company to determine (acting as experts) as soon as practicable:

- (a) what adjustment (if any) to the initial Conversion Price is fair and reasonable to take account thereof; and
- (b) the date on which such adjustment should take effect; and

upon such determination such adjustment (provided that the adjustment would result in a reduction in the initial Conversion Price) shall be made and shall take effect in accordance such determination, provided that an adjustment shall only be made if the approved merchant bank or the auditors of the Company is so requested to make such a determination.

In cases where the circumstances giving rise to any adjustment pursuant to the events as set out in adjustment clause have already resulted or will result in an adjustment to the initial Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the initial Conversion Price, such modification (if any) shall be made to the operation of the adjustment clause as may be advised by the approved merchant bank or the auditors of the Company in question to be in their opinion appropriate to give the intended result.

If any other events occurred and where the Company considers it would be appropriate for an adjustment to be made to the initial Conversion Price, the Company will make further announcement(s) and comply with the disclosure and approval requirement(s), including independent shareholders' approval requirement, if any, in compliance with the Listing Rules.

For the details of the terms of Convertible Bonds, please refer to the Letter from the Board.

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2. Analysis of the principal terms of the Convertible Bonds

2.1 *Historical price performance of the Shares*

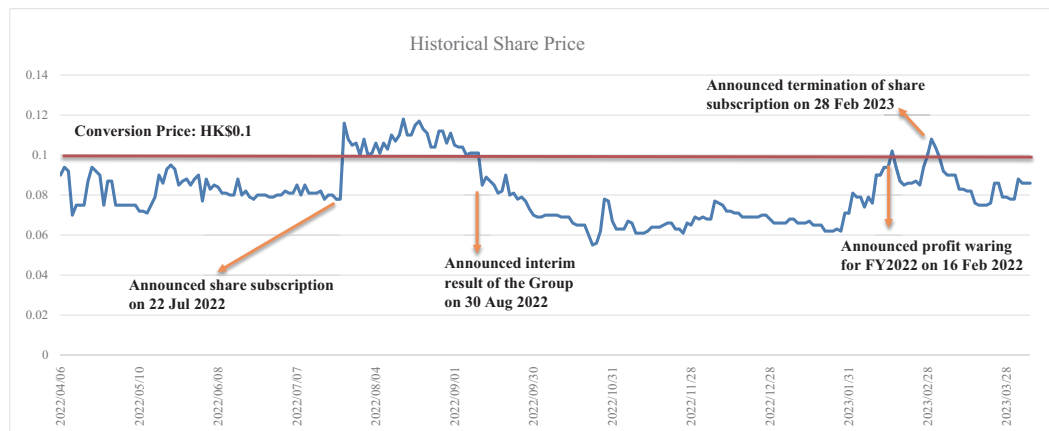
To assess the fairness and reasonableness of the Conversion Price of HK\$0.10 per Conversion Share, we set out the following analyses:

	Price per Share approximately HK\$	Conversion Price represent a premium over approximately
(i) The closing price as quoted on the Stock Exchange on the date of the CB Subscription Agreement (i.e. 6 April 2023) (the “ Announcement Date ”)	0.086	16.3%
(ii) The average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Announcement Date	0.0832	20.2%
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Announcement Date	0.0822	21.7%
(iv) The average closing price of the Shares as quoted on the Stock Exchange for the trading period of the Shares with 12 months from 6 April 2022 to 6 April 2023 (the “ Review Period ”)	0.0813	23.0%
(v) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	0.084	19.0%

As illustrated from the above table, the Conversion Price of HK\$0.10 per Conversion Share represents a significant premium over the recent market prices of the Shares.

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We reviewed the closing price level of the Shares on the Stock Exchange during the Review Period, which is a reasonably long period covering the annual operating cycle of the Group, including low and high seasons of sales and publication of financial result, and different market conditions prior to the Announcement Date for analysis purpose. The comparison of the historical price performance of the Shares with the Conversion Price of HK\$0.10 per Conversion Share for the Review Period is illustrated below.



Source: the website of the Stock Exchange (www.hkex.com.hk)

As demonstrated in the above chart, during the Review Period, the Shares were traded at a price ranging from HK\$0.055 to HK\$0.118. The average closing price per Share for the Review Period was approximately HK\$0.0813. During the Review Period, there were only 39 trading days out of 247 trading days in which the Shares were trading at HK\$0.10 or above.

During the period from 6 April 2022 to 22 July 2022, the Shares were traded within a range of HK\$0.070 to HK\$0.095 with an average trading price around HK\$0.0819. On 24 July 2022, the Company and a subscriber (which is wholly owned by Mr. Kong Zhanpeng) entered into a share subscription agreement pursuant to which such subscriber would subscribe for Shares at a price of HK\$0.10 per Share. The Share price surged to HK\$0.116 per Share on 25 July 2022 and was trading above HK\$0.10 for a period of time until the end of August 2022. After the Company announced the interim result of the Group for the six months period ended 30 June 2022, the Shares dropped below HK\$0.10 and declined further to HK\$0.055 on 24 October 2022 and the price of Shares slightly rebounded and were hovering between HK\$0.06 per Share and HK\$0.08 per Share afterwards.

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Since early January 2023, the Share price gradually surged and reached HK\$0.102 per Share in the middle of February 2023. Afterwards, the price of the Shares have been declining in general and the Share on the Announcement Date was closed at HK\$0.086.

In light of the above analysis on historical price performance of the Shares, we note that the Conversion Price (being HK\$0.1 per Conversion Share) lies above the trading price of the Shares for most of the trading days during the Review Period, and represents (i) a premium of approximately 23.0% over the average closing price of Shares during the Review Period; (ii) a premium of approximately 16.3% over the closing price of Shares on the Announcement Date; we consider that the level of the Conversion Price is advantageous to the Company.

2.2 Price-earnings ratio (“P/E Ratio”) and Price-to-book ratio (“P/B Ratio”)

Moreover, we have attempted to assess the fairness and reasonableness of the Conversion Price from the perspective of the P/E Ratio and P/B Ratio. P/E ratio analysis is a common approach in valuing profit-generating entity. However, due to the fact that the Group recorded loss after tax of approximately HK\$212.5 million for FY2022, P/E ratio is not applicable for our analysis. On the other hand, P/B ratio is commonly used in valuing asset-intensive entity. The Group recorded net liabilities (attributable to owners of the Company) of approximately HK\$675.0 million as at 31 December 2022. Upon comparison, the Conversion Price represents a significant premium over the net liabilities (attributable to the Shareholders) of approximately HK\$0.442 per Share and we considered that the level of the Conversion Price is favorable to the Company from the P/B Ratio perspective.

2.3 Issuance of convertible bonds by other listed companies

In order to assess the fairness and reasonableness of the major terms of the Convertible Bonds under the recent market conditions, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which (i) have announced issue/placing of convertible bonds/notes under specific mandate; (ii) made the relevant announcement during the six month period between 1 October 2022 and the Announcement Date; and (iii) has not be suspended the trading of the relevant shares more than one month prior to the relevant announcement.

Based on the above criteria, we have, to the best of our effort by searching through published information on the Stock Exchange’s website, identified an exhaustive list of seven transactions (the “**Comparable Transactions**”). Although the business, operation and prospect of the Company are not same as the listed issuers of the Comparable Transactions, we consider that these Comparable Transactions are able to (i) reflect the prevailing market conditions and sentiment in the Hong Kong stock market during the recent months; and (ii) allow the Shareholders to have a general understanding on the recent convertible bond transactions being conducted by the listed issuers in the Hong Kong stock market, and they are suitable reference cases for assessing the fairness and

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reasonableness of the key terms of the Convertible Bonds. The following table sets forth the relevant details of the Comparable Transactions.

Date of first announcement	Stock code	Company name	Premium/(discount) of conversion price over/to			Interest rate per annum (%)	Maturity (year)
			the closing price on the last trading day prior to/on the date of the respective announcement/ agreement (the "LTD premium/discount") (%)	the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement (the "5-Day premium/discount") (%)	the average closing price of ten trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement (the "10-Day premium/discount") (%)		
14 October 2022	209	Winshine Science Company Limited	13.64	11.61	9.17	16.0	2
16 November 2022	138	CCT Fortis Holdings Limited	10.35	5.82	(0.31)	4.5	3
14 December 2022	616	Eminence Enterprise Limited	43.24	45.21	47.02	5.0	5
22 December 2022	660	Wai Chun Bio-Technology Limited	25.00	32.00	38.25	0	3
10 March 2023	381	Kiu Hung International Holdings Limited	17.31	14.66	13.81	0	3
29 March 2023	636	Kerry Logistics Network Limited	44.17	46.55	44.66	3.3	Perpetual
3 April 2023	362	China Zenith Chemical Group Limited	(10.30)	(8.30)	(7.49)	3.0	2
							<i>(Note)</i>
		Maximum	44.17	46.55	47.02	16.0	5
		Minimum	(10.30)	(8.30)	(7.49)	0	2
		Average	20.49	21.08	20.73	4.5	3
		Median	17.31	14.66	13.81	3.3	3
		Convertible Bonds	16.30	20.20	21.70	5.0	3

Note: The calculation excludes the perpetual convertible bond issued by Kerry Logistics Network Limited.

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(i) Duration

Based on the above analysis, the duration of the Comparable Transactions ranged from two years to five years with an average and median duration of approximately three years.

The duration of the Convertible Bonds of three years is comparable to the average and median duration of the Comparable Transactions. The 3-year duration of the Convertible Bonds provides a reasonable period of time for the Group to complete its debt restructuring and improve its financial position so that the Company will have sufficient funding to make full/partial redemption of the Convertible Bonds at any time prior to the CB Maturity Date.

(ii) Conversion price

The Conversion Price of HK\$0.10 represented a premium of 16.3% as compared to the closing price of Shares on the Announcement Date and is lower than the average and median LTD premium/(discount) of the Comparable Transactions.

The Conversion Price of HK\$0.10 represented a premium of 20.2% as compared to the average closing price of Shares for five consecutive trading days immediately prior to the Announcement Date and such premium is slightly lower than the average 5-Day premium/(discount) of the Comparable Transactions while is very closed to the median 5-Day premium/(discount) of the Comparable Transactions.

The Conversion Price of HK\$0.10 represented a premium of 21.7% as compared to the average closing price of Shares for ten consecutive trading days immediately prior to the Announcement Date and such premium is higher than the average and median 10-Day premium/(discount) of the Comparable Transactions.

(iii) Coupon interest rate

The Convertible Bonds carry coupon interest rate of 5% per annum and is higher than the average and median coupon interest rate of the Comparable Transactions approximately 4.5% and 3.3%, respectively.

We also reviewed the effective interest rates of the Group's bank and other borrowings for FY2022 which ranged between 6.4% and 10.0%. Upon comparison, the coupon interest rate of the Convertible Bonds is lower than the Group's existing interest rates of borrowings.

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2.4 *Adjustment to Conversion Price*

Pursuant to the terms of the Convertible Bonds, the Conversion Price of HK\$0.1 per Conversion Share shall may be adjusted in the event that the share capital of the Company is changed as a result of consolidation or subdivision. The Conversion Price is adjusted based on the extent of the change in the number of issued Shares which provide an anti-dilution right to the subscribers in case of such corporate event triggers the adjustment event.

Apart from share consolidation or share subdivision, the Conversion Price may be adjusted due to occurrence of other events. The relevant adjustment to the Conversion Price is required to be reviewed by an approved merchant bank or the auditors of the Company, who should confirm in writing that the adjustment to the initial Conversion Price is fair and reasonable and the effective date of such adjustment. Also, the Company will ensure that the relevant adjustment to the initial Conversion Price should comply with the disclosure and approval requirement(s) including independent shareholders' approval requirement.

Given that (i) the adjustment to the Conversion Price as a result of the share consolidation or subdivision is in line with market practice, and (ii) the adjustment to the Conversion Price as a result of other events will be reviewed by an approved merchant bank or the auditors of the Company and is subject to independent shareholder's approval, we consider that the adjustment mechanism to Conversion Price is fair and reasonable.

Having considered the above analyses, in particular, (i) the duration period of Convertible Bonds is comparable to the average and median duration of the Comparable Transactions and is relatively long; (ii) the premium represented by the Convertible Price was higher than the median 5-day premium/(discount) and the median 10-day premium/(discount) of the Comparable Transactions; (iii) the annual coupon rate of 5% is slightly higher than the average and median coupon rates of the Comparable Transactions; (iv) the Conversion Price represents a significant premium over the trading prices of the Shares during most of the trading days of Review Period and the net liabilities per Share; (v) the Convertible Bonds allow the Group to obtain a considerable amount of fund at a lower finance cost as compared to the effective interest rates of the Group's bank and other borrowings; (vi) the recent financial difficulties faced by the Group hinder the Group to conduct fund-raising exercise in the stock market, we concur that terms of the Convertible Bonds are fair and reasonable.

3. *Reasons for the CB Subscription*

As disclosed in 2022 Annual Report, the Group has been facing very tight cash flow position, therefore the Group did not have sufficient funding to resume all of its production facilities. As at the Latest Practicable Date, the Group only resumed the production facilities in Shanghai sites and the Group's production facilities in Jinzhou and Xinglongshan sites were still suspended. In order to resume the production capacity, the Group must obtain additional funding for trial run of production facilities, repairing production equipment and procuring raw materials.

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As set out in the Letter from the Board, the Joint Offerors expressed their interests in taking over the Group and is committed to offer working capital for the Group. As part of the GSH Restructuring, once the Joint Offerors become the controlling shareholders of the Company, they will provide the first tranche of the principal amount of Convertible Bonds in RMB60 million which will be used for repayment of part of the Jinzhou CCB Loans. As advised by the management of the Company, the Company has been continuously negotiating with Jinzhou CCB for better settlement terms, if the Company is unable to make the repayment of RMB60 million on a timely basis, the Jinzhou CCB may take further legal action to the court for the enforcement of certain land and buildings of the Group. Therefore, there is an imminent need to make partial repayment of the Jinzhou CCB Loans.

On the other hand, the Group generated revenue of HK\$359.6 million and recorded a loss of approximately HK\$212.5 million for FY2022. The Group must resume its production capacity of the Upstream Products in Jinzhou site to increase the production utilization rate and reduce the average cost of production with an objective to improve the financial performance of the Group. Therefore, the Joint Offerors are willing to provide the second tranche of the principal amount of Convertible Bonds in RMB60.0 million for the resumption of Jinzhou production facilities in the second half year of 2023. After the resumption and smooth operation of the upstream production in Jinzhou site which provide sufficient volume of corn starch in slurry form for the downstream production in Jinzhou Dacheng Food Development Ltd. The Group will gradually resume the manufacture of the Downstream Products, in particular focusing on high value-added corn sweeteners.

As advised by the Company, other than the issuance of Convertible Bonds, the Company considered the feasibility of other fundraising methods such as bank borrowings and other forms of equity financing to raise sufficient funding. Due to the loss-making performance of the Group for the past three years, the high leverage status of the Group and lack of assets for collateral, it may not be feasible for the Group to obtain additional bank borrowings with favorable terms to the Company. The Directors also considered other ways of equity financing, including open offer, rights issue, issue of new shares. However, given the Group's loss-making performance for the past three years, high gearing position and suspension of a majority of production facilities, it may be difficult to induce investors to invest in a high gearing and loss-making enterprise. In addition, fundraising activities such as open offer, rights issue and issuance of new shares will further dilute the shareholding of the existing Shareholders. In such case, the existing Shareholders may not fully support these equity financing methods. Therefore, the Directors regarded that the equity financing and bank borrowings are not feasible for the Group to obtain new funding at this stage.

Having considered (i) the urgency to resolve the repayment deadline of partial Jinzhou CCB Loans; (ii) the immediate need of funding to resume the production capacity in Jinzhou site in order to reduce the unit cost of the production and improve the Group's financial performance; (iii) it is not feasible for the Group to obtain bank borrowings and carry out equity fundraising exercise (e.g. placing of shares, rights issue and open offer) given the loss-making performance and financial difficulties of the Group; the issuance of Convertible Bonds is the most desirable way to obtain new funding at this stage, and is in the interest of the Company and the Shareholders as a whole.

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4. Financial effect of CB Subscription

Upon the CB Completion, the financial effect of CB Subscription on the Group are as follow:

a. Earnings

The Convertible Bonds are interest bearing bonds. It is expected that the future annual earnings of the Company will be reduced at least by the amount of annual interest expenses incurred in relation to the Convertible Bonds before their maturity, and/or any early redemption.

b. Net liabilities

According to the 2022 Annual Report, the net liabilities attributable to owners of the Company amounted to approximately HK\$675.0 million as at 31 December 2022. As the net proceeds of Convertible Bonds are approximately HK\$138.0 million, there will be an increase in cash and cash equivalents of the Company. The exact amount of the respective fair value of the liability and equity components of the Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by an independent valuer at the time of CB Completion.

c. Gearing ratio

According to the 2022 Annual Report, the gearing ratio of the Group was approximately 116% as at 31 December 2022, calculated based on the aggregate amount of interest-bearing bank and other borrowings divided by total assets. The total assets of the Group will be increased by the net proceeds of HK\$138.0 million and the level of interest-bearing borrowings will not increase by the same magnitude as part of the Convertible Bonds will be recognised as equity component, the net impact to the gearing ratio would improve slightly.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial result and the financial position of the Group will be upon the CB Completion.

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OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, although the Dihao Transfer, the proposed GSH Counter-Guarantee and the CB Subscription are not in the ordinary and usual course of business of the Group because of their “one-off” nature, we are of the opinion that the terms of the Dihao SPAs, the proposed GSH Counter-Guarantee Deed, the CB Subscription Agreement and transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Dihao SPAs, the proposed GSH Counter-Guarantee Deed, the CB Subscription Agreement and transactions contemplated thereunder.

Yours faithfully

For and on behalf of

Octal Capital Limited

Alan Fung

Managing Director

Louis Chan

Director

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. INDEBTEDNESS

Indebtedness Statement

As at the close of business on 31 March 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had indebtedness totaling approximately HK\$834,703,000 comprising the following:

	Effective interest rate	<i>HK\$ '000</i>
Current		
Bank loans, secured and guaranteed by corporate guarantees <i>(Note a)</i>	7.0%-8.4%	241,477
Bank loans, unsecured and guaranteed by corporate guarantees <i>(Note b)</i>	6.8%-10.0%	220,032
		<u>461,509</u>
Other loans, secured and guaranteed by corporate guarantees <i>(Note c)</i>	6.4%-10.0%	333,534
Loan from a fellow subsidiary, unsecured and unguaranteed	8.0%	39,660
		<u>834,703</u>

Notes:

Relationship of guarantors with the Group

- a. The subsidiaries of the Company
- b. The Company, GBT and subsidiaries of the Company
- c. The Company and GBT

The Group's bank loans amounting to HK\$241,477,000 and other loans amounting to HK\$333,534,000 were secured by pledge of certain property, plant and equipment, right-of-use assets and a receivable of the GBT Group of HK\$296,615,000, HK\$13,100,000 and HK\$113,636,000 respectively.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, at the close of business on 31 March 2023, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, lease liabilities, or hire purchase commitments, guarantees or other material contingent liabilities. The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 31 March 2023.

2. WORKING CAPITAL SUFFICIENCY

The Group recorded a loss of approximately HK\$212.5 million for the year ended 31 December 2022. As at 31 December 2022, the Group had net current liabilities of approximately HK\$1,206.8 million and net liabilities of approximately HK\$681.0 million. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the management of the Company has taken the following steps to improve the Group's financial position:

(a) **Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position**

As announced by the Company and GBT on 23 December 2020 and as disclosed in the Joint Announcement, 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) ("**Jilin ABC**") has published a public announcement in mid-December 2020 announcing the agreement of Jilin ABC (acting on behalf of Nongan ABC) to sell and the agreement of Jilin Cinda to purchase all of Nongan ABC's rights and benefits in connection with certain loans owed by GBT Group and the Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million. Such transferred loans included, among others, the Dihao Foodstuff Loan. Subsequent to the transfer of the loans, the Group, together with GBT, have been continuously negotiating with the relevant parties, including the lenders and Jilin SASAC for the next stage of the debt restructuring.

With the support from Jilin SASAC, the Company, together with GBT, will endeavour to facilitate the implementation of the next stage of the debt restructuring plan. It is currently expected that the debt restructuring in relation to a portion of the loans owed by the Group will be completed by the end of 2023, pending and subject to the internal approval from the respective creditors and relevant local government authorities. The Directors expect that upon the completion of the debt restructuring plan, the financial position of the Group will improve significantly. After the GSH Completion and CB Completion, if realised as planned, the Group's financial position will improve as the portion of the loans owed by the Group to Jilin ABC will be transferred to the GBT Group. It would also facilitate the GBT Group to efficiently negotiate with the relevant parties for the next step of debt restructuring plan without involving the management of the Group. As disclosed in the paragraph headed "Reasons for the CB Subscription and the Use of Proceeds" in this circular, the CB Completion will provide additional fund for the Group to settle the outstanding principal amount and outstanding interest accrued thereon due to Jinzhou CCB and improve the financial position and gearing level of the Group.

(b) Monitoring of the Group's operating cash flows and partial resumption of production operation

The Group has taken various measures to minimise operating cash outflow and secure financial resources during market turbulence as a result of, among others, the coronavirus disease ("COVID-19") pandemic. At the Latest Practicable Date, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in the Shanghai production site. The CB Subscription, if completed, will enhance the working capital position of the Group and allow the Group to prepare for the resumption of operations of the Jinzhou production site so as to improve the Group's operating cash flow.

(c) Financial support from the indirect major shareholder of GBT

The Group has received an updated written confirmation dated 25 April 2022 from Nongtou that it would continue to provide financial support to the Group in the following 24 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value as at 31 December 2022 amounted to approximately RMB2,105.5 million. It is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. As at the Latest Practicable Date, Nongtou was a controlling shareholder of GBT within the meaning of the Listing Rules. The management of the Company is of the view that given that GBT will remain as a Shareholder following GSH Completion and Dihao Completion, Nongtou as an indirect major shareholder of GBT would continue to provide adequate and sufficient support to the Group.

In view of the steps taken by the Company as disclosed above, it is expected that the financial condition of the Group will gradually improve. The Directors propose to procure additional working capital through the steps mentioned above. The Directors are of the opinion that, after taking into account the above proposals, the internal resources, the available banking facilities, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. FINANCIAL AND TRADING PROSPECTS

As disclosed in the annual report of the Company for the year ended 31 December 2022, in order to maintain the competitiveness of the Group, in the year ending 31 December 2023, the Group will optimise its production while maintaining its market presence, diversify its product mix and enhance its capability in developing high value-added products and introduce strategic business alliance with prominent market leaders.

Meanwhile, in the year ending 31 December 2023, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies so as to optimise the operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence.

In the upcoming year, the Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, dedicate more time and energy in resources conservation and development of green products and further improve the cost effectiveness and product mix through continuous research and development efforts.

With respect to the financial position of the Group, the management will endeavour to facilitate the completion of the restructuring in the year ending 31 December 2023 in relation to, among others, the Dihao Transfer and the CB Subscription to improve the financial position of the Group and adopt a prudent approach in face of the current market condition.

Save as disclosed above and in this circular, as at the Latest Practicable Date, the Directors were not aware of any material information which may be relevant to financial and trading prospects of the Group which are unlikely to be known or anticipated by the general public, and which could materially affect the profits of the Group.

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.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the GBT Group, the Joint Offerors, their respective associates and parties acting in concert with them (save for the Group) (*Note*)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

Note: Information relating to the Joint Offerors and the GBT Group, or any of their associates or parties acting in concert with them, set out in this circular were extracted from the information in the Joint Announcement where the Joint Offerors and the directors of GBT had accepted full responsibility for the accuracy of the information contained therein relating to the Joint Offerors, the GBT Group, their respective associates and parties acting in concert with them, respectively. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the Directors and chief executives of the Company that had interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

Name of Director	The Company/name of associated corporation	Capacity/Nature of interest	Number and class of securities held (<i>Note 1</i>)	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Wang Guicheng	The Company	Beneficial owner	300,000 Shares (L)	0.02 (<i>Note 2</i>)
	GBT	Beneficial owner	500,000 ordinary shares of HK\$0.10 each (L)	0.01 (<i>Note 3</i>)

Notes:

1. The letter “L” denotes the Shareholders’ long position in the Shares and/or the relevant associated corporations.
2. On the basis of 1,527,586,000 Shares in issue as at the Latest Practicable Date.
3. On the basis of 8,907,405,717 shares in GBT in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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.

As at the Latest Practicable Date, Mr. Wang Guicheng was the chairman of the Board and an executive Director and also an executive director of GBT. As at the Latest Practicable Date, Mr. Wang Guicheng held 500,000 shares in GBT (representing approximately 0.01% of the entire issued share capital of GBT) and 300,000 Shares (representing approximately 0.02% of the entire issued share capital of the Company). For good corporate governance, Mr. Wang Guicheng has abstained from voting on the Board resolutions approving the Special Deals and the CB Subscription. To the best knowledge of the Directors after making all reasonable enquiries, no Director has a material interest in the transactions in this circular and had to abstain from voting on the relevant Board resolutions on the basis of having material interest.

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.

3. SUBSTANTIAL SHAREHOLDERS

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 of the Company 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 Shareholders	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital (Note 2)
Global Corn	Beneficial owner	977,778,000 (L)	64.01
GBT	Interest of a controlled corporation (Note 3)	977,778,000 (L)	64.01
	Beneficial owner	500,000 (L)	0.03
Modern Agricultural Industry Investment Limited (“ Modern Agricultural ”)	Interest of a controlled corporation (Note 4)	978,278,000 (L)	64.04
Modern Agricultural Industry Investment Holdings Limited (“ Modern Agricultural Holdings ”)	Interest of a controlled corporation (Note 4)	978,278,000 (L)	64.04
Jilin Province Modern Agricultural Industry Investment Fund (LLP) (“ PRC LLP ”)	Interest of a controlled corporation (Note 4)	978,278,000 (L)	64.04
Jilin Province Modern Agricultural Industry Fund Limited (“ GP ”)	Interest of a controlled corporation (Note 4)	978,278,000 (L)	64.04

Name of Shareholders	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital (Note 2)
Nongtou	Interest of a controlled corporation (Note 4)	978,278,000 (L)	64.04
Jilin SASAC	Interest of a controlled corporation (Note 4)	978,278,000 (L)	64.04
Offeror A	Beneficial owner	1,048,982,500 (L)	68.67
Offeror B	Beneficial owner	1,108,690,500 (L)	72.58

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares of the Company.
2. On the basis of 1,527,586,000 Shares in issue as at the Latest Practicable Date.
3. These Shares are registered in the name of Global Corn, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the Shares in which Global Corn is interested according to the SFO. Mr. Wang Guicheng, an executive Director, is the executive director of GBT.
4. These Shares comprise 977,778,000 Shares registered in the name of Global Corn and 500,000 Shares in the name of GBT, whose issued share capital was beneficially owned as to approximately 35.2% by Modern Agricultural as at the Latest Practicable Date. The entire issued capital of Modern Agricultural was held by Modern Agricultural Holdings which was in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP was GP. As at the Latest Practicable Date, the investment capital of PRC LLP was owned as to 60.0% by Nongtou (Nongtou was controlled by Jilin SASAC), as to 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 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, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the interest held by GBT under the SFO.

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 of the Company 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.

4. SERVICE AGREEMENTS

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 member of the Group within one year without payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his associates had interests 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 the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

Save for the proposed subscription of Shares as announced by the Company on 25 July 2022 and 30 December 2022 which had been terminated as announced by the Company on 28 February 2023 and other than (i) the Dihao SPAs; and (ii) the CB Subscription Agreement, there were no contracts entered into by the members of the Group which were not entered into in the ordinary course of business of the Group within two years immediately preceding the Latest Practicable Date which are or may be material.

9. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
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 reference to its name and its letter in the form and context in which it 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; and did not 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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the website of the Stock Exchange (<http://www.hkexnews.hk>), the website of the SFC (<http://www.sfc.hk/>) and the website of the Company (<http://www.global-sweeteners.com>) for a period of at least 14 days from the date of this circular until the date of the EGM:

- (a) the written consent of Octal Capital, which was referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix;
- (b) the Dihao SPAs;
- (c) the GSH Counter-guarantee Deed; and
- (d) the CB Subscription Agreement.

11. MISCELLANEOUS

- (e) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The head office and principal place of business of the Company in Hong Kong is at Suite 1002, 10th Floor, Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong.
- (g) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (h) The company secretary is Mr. Chan Sing Fai. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Chartered Governance Institute.
- (i) The English text of this circular shall prevail over its Chinese text.

NOTICE OF EGM



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the physical extraordinary general meeting (the “**EGM**”) of Global Sweeteners Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Salon 1, 7/F, Harbour Plaza Metropolis Hotel, 7 Metropolis Drive, Hungghom, Kowloon, Hong Kong at 10:30 a.m. on Tuesday, 20 June 2023 to consider, if though fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the sale and purchase agreements (the “**Dihao SPAs**”) dated 6 April 2023 entered into between Global Sweeteners (China) Limited (大成澱粉糖(中國)有限公司), Global Starch (Changchun) Investments Limited (大成澱粉(長春投資有限公司), and Global Sorbitol (H.K.) Company Limited (大成山梨醇(香港)有限公司), as vendors, and Global Bio-Chem Technology (HK) Limited (大成生化科技集團有限公司), as purchaser, for the acquisition of the entire registered capital of 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) (“**Dihao Foodstuff**”) and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) (a copy of each of which has been produced to the meeting marked “**A**” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and that the directors (the “**Directors**”) of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the Dihao SPAs or the transactions contemplated thereby.”
2. “**THAT** the deed of counter-guarantee (the “**GSH Counter-guarantee Deed**”) pursuant to which the Company will, among others, provide the counter-guarantee and indemnity to Global Bio-chem Technology Group Company Limited (“**GBT**”) and Dihao Foodstuff to be executed by the Company, GBT and Dihao Foodstuff (a copy of which has been produced to the meeting marked “**B**” and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved and confirmed and that the Directors be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the GSH Counter-guarantee Deed or the transactions contemplated thereby.”

* for identification purposes only

NOTICE OF EGM

3. “**THAT**

- (a) the conditional subscription agreement dated 6 April 2023 (the “**CB Subscription Agreement**”) entered into between Mr. Kong Zhanpeng (孔展鵬) and Mr. Wang Tieguang (王鐵光) (the “**Joint Offerors**”) and the Company in respect of the RMB120.0 million, 3-year, 5 per cent. convertible bonds to be issued by the Company to the Joint Offerors as subscribers (the “**Convertible Bonds**”) upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of Convertible Bonds by the Company in accordance with the terms and conditions of the Convertible Bonds be and is hereby approved;
- (c) the allotment and issue of new ordinary shares of HK\$0.1 each in the share capital of the Company (the “**Conversion Shares**”) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds be and are hereby approved;
- (d) conditional upon, among others, the listing committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Conversion Shares, the specific mandate to the Directors to exercise the powers of the Company for the issue of Convertible Bonds and the allotment and issue of the Conversion Shares in accordance with the terms and conditions of the Convertible Bonds be and is hereby approved. The aforementioned specific mandate is in addition to, and shall not prejudice or revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (e) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the CB Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds.”

By order of the Board
Global Sweeteners Holdings Limited
Wang Guicheng
Chairman

Hong Kong, 31 May 2023

NOTICE OF EGM

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:*
Suite 1002, 10th Floor
Tower A, Cheung Kei Center
18 Hung Luen Road
Hung Hom, Kowloon
Hong Kong

Notes:

1. A member 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 a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, 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 10:30 a.m. on Sunday, 18 June 2023 (Hong Kong time)) or any adjournment thereof.
3. The register of members of the Company will be closed from Wednesday, 14 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the attendance at the EGM, 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 2 above no later than 4:30 p.m. on Tuesday, 13 June 2023 for registration.
4. 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 EGM, the EGM will be adjourned in accordance with the articles of association of the Company. The Company will post an announcement on the websites of the Stock Exchange and the Company to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
5. The EGM 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 EGM under bad weather condition bearing in mind their own situation.

As at the date of this notice, the Board comprises two executive Directors, namely, Mr. Wang Guicheng and Mr. Tai Shubin; and three independent non-executive Directors, namely, Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu.