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

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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

**(I) CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED EXTENSION OF
THE MATURITY DATE OF THE CONVERTIBLE BONDS;
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A letter from the Board is set out on pages 6 to 31 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Octal Capital, the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 58 of this circular.

A notice convening the EGM to be held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 10:30 a.m. on Thursday, 3 August 2023 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 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 Tuesday, 1 August 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.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Announcement”	the announcement dated 2 June 2023 issued by the Company in relation to the Transactions
“Board”	the board of Directors
“Bondholder”	Modern Agricultural Industry Investment Limited, a company incorporated in the British Virgin Islands which is the controlling shareholder of the Company holding approximately 35.2% of the issued share capital of the Company as at the Latest Practicable Date
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00809)
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “2. The Second Supplemental Agreement – Conditions Precedent” in the letter from the Board in this circular
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Date”	the date on which the Conversion Rights are exercised
“Conversion Price”	the adjusted conversion price of HK\$0.21 per Conversion Share, which is subject to further adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the principal amount of the Convertible Bonds or part thereof into the Conversion Shares
“Conversion Share(s)”	the new Shares which may be issued upon exercise by the holder(s) of the Convertible Bonds of the Conversion Rights under the Convertible Bonds

DEFINITIONS

“Convertible Bonds”	the convertible notes in the principal amount of HK\$1,086,279,565 issued by the Company on 15 October 2015 pursuant to the terms of the Subscription Agreement
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 10:30 a.m., on Thursday, 3 August 2023, the notice of which is set out on pages EGM-1 to EGM-3 of this circular, or any adjournment thereof, to consider and, if thought fit, to approve the Second Extension and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director)
“Extended CB Maturity Date”	30 September 2025
“Extension Last Trading Day”	1 June 2023, being the last trading day immediately before the date of the Second Supplemental Agreement
“First Extension”	the extension of the original maturity date from 15 October 2020 to 15 June 2023
“First Supplemental Agreement”	the first supplemental agreement dated 25 September 2020 entered into between the Company and the Bondholder to extend the original maturity date from 15 October 2020 to 15 June 2023
“Group”	the Company and its subsidiaries from time to time
“GSH”	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 (Stock Code: 03889) and a non-wholly-owned subsidiary of the Company
“GSH Group”	GSH and its subsidiaries from time to time
“HK Bloom”	HK Bloom Investment Limited, a company incorporated in the British Virgin Islands with limited liability, beneficially owned as to 50% by Mr. Li Zhenhao and 50% by Ms. Sun Zhen
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

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“Independent Board Committee”	an independent committee of the Board, which comprises all the independent non-executive Directors who have no direct or indirect interest in the Second Supplemental Agreement or the Whitewash Waiver, established in compliance with (i) Rule 2.8 of the Takeovers Code (as Mr. Gao Dongsheng, the non-executive Director, has abstained from voting in the relevant Board resolutions relating to the Second Extension and the Whitewash Waiver given his relationship with the Bondholder as explained in the paragraph headed “5. Disclosure of Directors’ Interests” in the letter from the Board in this circular) to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Second Supplemental Agreement and the Whitewash Waiver; and (ii) Rules 14A.40 and 14A.41 of the Listing Rules to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Second Supplemental Agreement, and how to vote on the relevant resolutions at the EGM or the adjournment thereof in respect of the Transactions
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions and as to voting
“Independent Shareholders”	the Shareholders other than the Bondholder, its associates and concert parties and those parties who are involved in or interested in the Transactions and those who are required to abstain from voting at the EGM to consider the approval of the Second Extension and the Whitewash Waiver under the Listing Rules and/or the Takeovers Code
“Joint Announcement”	the joint announcement dated 6 April 2023 jointly issued by Mr. Kong Zhanpeng, Mr. Wang Tiegung, the Company and GSH in relation to, among others, the (i) the disposal of approximately 47.0% of the issued share capital of GSH by the Group; and (ii) the acquisition of 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) by the Group from the GSH Group
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing

DEFINITIONS

“Latest Practicable Date”	12 July 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2023 or such later date as the parties to the Second Supplemental Agreement may agree in writing
“Maturity Date”	the maturity date as extended under the First Extension, i.e. 15 June 2023
“PRC”	the People’s Republic of China
“Relevant Period”	the period between 2 December 2022 (being the date falling six months prior to 2 June 2023, the date of publication of the Announcement) and the Latest Practicable Date (both dates inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“Second Extension”	the proposed second extension of the Maturity Date to the Extended CB Maturity Date
“Second Supplemental Agreement”	the second supplemental agreement dated 2 June 2023 entered into between the Company and the Bondholder in relation to the Second Extension
“SFO”	Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 30 August 2015 entered into between the Company and the Bondholder in relation to, among others, the subscription of the Convertible Bonds
“Takeovers Code”	the Code on Takeovers and Mergers

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“Transactions”	the Second Supplemental Agreement together with the transaction contemplated thereunder and the Whitewash Waiver
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Bondholder to make a mandatory general offer for all the securities of the Company not already owned or acquired by the Bondholder and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the Bondholder obtaining the Conversion Shares upon the exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Second Supplemental Agreement
“%”	per cent.

LETTER FROM THE BOARD



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

Executive Directors:

Mr. Yang Jian (*Chairman*)
Mr. Wang Guicheng

Non-executive Director:

Mr. Gao Dongsheng

Independent non-executive Directors:

Ms. Dong Hongxia
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam

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

15 July 2023

To the Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED EXTENSION OF
THE MATURITY DATE OF THE CONVERTIBLE BONDS;
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The primary purpose of this circular is to:

- (a) provide you with further information relating to the Transactions;

** for identification purposes only*

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- (b) set out (i) the recommendation of the Independent Board Committee after having considered the advice of the Independent Financial Adviser as to whether the Transactions are, or are not fair and reasonable and as to voting; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on whether the Transactions are, or are not, fair and reasonable and as to voting;
- (c) provide the financial information of the Group;
- (d) provide the valuation report on the property interest held by the Group;
- (e) provide other information as required under the Listing Rules and the Takeovers Code; and
- (f) give you notice of the EGM to consider and if thought fit, approve the Transactions.

2. THE SECOND SUPPLEMENTAL AGREEMENT

Background

Reference is made to (i) the announcements of the Company dated 30 August 2015, 15 October 2015, 25 September 2020 and 30 November 2020 and the circular of the Company dated 21 September 2015 and 6 November 2020 in relation to, among others, the subscription of the Convertible Bonds by the Bondholder and the First Extension; (ii) the announcements of the Company dated 27 September 2019, 29 April 2020 in relation to, among others, the adjustment of the Conversion Price of the Convertible Bonds ; and (iii) the announcement of the Company dated 2 June 2023, in relation to, among others, the Transactions.

On 2 June 2023 (after trading hours), the Company and the Bondholder entered into the Second Supplemental Agreement to extend the Maturity Date from 15 June 2023 to the Extended CB Maturity Date (i.e. 30 September 2025) subject to fulfilment of the Conditions Precedent.

As at the Latest Practicable Date, the Bondholder is interested in approximately 35.2% of the entire issued share capital of the Company. Accordingly, the Bondholder is a controlling Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

Conditions Precedent

The Second Supplemental Agreement will only become effective upon all the following conditions having been fulfilled:

- (i) the Stock Exchange having approved the Second Extension as contemplated by the Second Supplemental Agreement;

LETTER FROM THE BOARD

- (ii) the Stock Exchange granting its approval for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Second Supplemental Agreement;
- (iii) the Executive having granted the Whitewash Waiver; and
- (iv) the Company having obtained the approval by more than 50% of the votes cast by the Independent Shareholders for the Second Supplemental Agreement and the transaction contemplated thereunder and the approval by at least 75% of the votes cast by the Independent Shareholders for the Whitewash Waiver at the EGM by way of poll.

None of the above Conditions Precedent can be waived. If any of the Conditions Precedent shall not have been fulfilled by the Long Stop Date, the Second Supplemental Agreement shall lapse and the parties thereto shall release each other from all obligations thereunder save for claim (if any) in respect of any antecedent breach thereof.

The Second Extension shall take effect from the date of fulfillment of the Conditions Precedent. The Bondholder agrees and undertakes with the Company not to exercise any of the Conversion Rights, nor to effect any transfer, assignment or other disposal of all or any of the Convertible Bonds at any time from the date of the Second Supplemental Agreement up to and including the effective date of the Second Extension.

As the Maturity Date shall fall on 15 June 2023 whereby the Company shall be obliged to fully redeem the Convertible Bonds, in the event that any of the Conditions Precedent are not fulfilled on or before 15 June 2023 and the Second Supplemental Agreement cannot become effective by 15 June 2023, the Conversion Rights attached to the Convertible Bonds may no longer be exercised by the Bondholder and the Convertible Bonds should be fully redeemed by the Company by 15 June 2023 pursuant to the existing terms and conditions of the Convertible Bonds, failure of which will constitute an event of default. Nonetheless, the Bondholder has agreed under the Second Supplemental Agreement to waive all its rights and claims against the Company for the Company's failure to repay the outstanding principal amount of the Convertible Bonds on or before the Maturity Date (i.e. 15 June 2023) and confirms that such failure to repay by the Company does not constitute a breach by the Company nor an event of default under the terms of the Convertible Bonds subject to the condition that the Company shall make payment of all outstanding interest to the Bondholder as mutually agreed by 1 October 2023 and all outstanding principal amount and interest of the Convertible Bonds shall be fully repaid by 31 December 2023. Such waiver will survive the lapse of the Second Supplemental Agreement if any of the Conditions Precedent are not fulfilled by the Long Stop Date.

The Company has not settled any of the principal amount of the Convertible Bonds since the First Extension, as at the Latest Practicable Date, the outstanding amount of the Convertible Bonds was HK\$1,086,279,565, while all outstanding interest due to the Bondholder by the Company has been fully settled by the Company.

As at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled.

LETTER FROM THE BOARD

Listing Approval

No application has been or will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Second Supplemental Agreement.

Principal terms of the Convertible Bonds immediately after the Second Extension

All the terms of the Convertible Bonds shall remain unchanged and in full force save and except as revised by the Second Extension. The principal terms of the Convertible Bonds as disclosed in the announcements of the Company dated 30 August 2015, 15 October 2015, 25 September 2020 and 30 November 2020 (in relation to the First Extension) and the circulars of the Company dated 21 September 2015 and 6 November 2020 (in relation to the First Extension) are summarised below (with only amendments made in relation to the Second Extension):

Interest rate : The Convertible Bonds shall carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears.

Maturity and redemption : Without prejudice to the sub-paragraph headed “Events of default” below, the Company may, subject to prior agreement with the holder(s) of the Convertible Bonds, redeem at any time prior to the Extended CB Maturity Date all or part of the outstanding principal amount (unless previously converted, redeemed or cancelled) of the Convertible Bonds (together with accrued and unpaid interest, if any, in respect of the Convertible Bonds to be redeemed up to and including the redemption date) on a specified redemption date, by giving the holder(s) of the Convertible Bonds no less than 30 days’ notice of the date fixed for such redemption and the principal amount and interest amount to be redeemed.

The outstanding principal amount of the Convertible Bonds (unless previously converted into the 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 holder(s) of the Convertible Bonds subject to and in accordance with the terms of the Convertible Bonds on the Extended CB Maturity Date at 100% of the outstanding principal amount of the Convertible Bonds. The Convertible Bonds may not be repaid or redeemed otherwise than in accordance with the conditions of the Convertible Bonds.

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- Conversion period : The holder(s) of the Convertible Bonds shall have the right to convert the whole or any part (in the denominations of HK\$1,000,000 and integral multiples thereof) of the outstanding principal amount of their Convertible Bonds into the Shares at any time after the effective date of the Second Extension, being the date of fulfillment of all Conditions Precedent until the date 7 days before (and excluding) the Extended CB Maturity Date, 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.
- Conversion price : The price at which the Conversion Shares will be issued upon exercise of the Conversion Right will be HK\$0.21 per Share.
- The Conversion Price is subject to adjustment in accordance with the terms and conditions of the Convertible Bonds. For details of the adjustment events and the corresponding adjustment formula, please refer to the paragraph headed “Adjustment of Conversion Price” below.
- Voting rights : The holder(s) of the Convertible Bonds will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being the holder(s) of the Convertible Bonds.
- Ranking : The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares outstanding at the Conversion Date, and the holder(s) of the Convertible Bonds 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 Conversion Date.
- Events of default : Pursuant to the Subscription Agreement, if any of the events specified below occurs, the Company shall within 10 days of such event occurring give notice to the holder(s) of the Convertible Bonds. Within 10 days after the Company despatches the notice, any holder(s) of the Convertible Bonds holding, or one or more holder(s) of the Convertible Bonds together holding, at least 76% 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,

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whereupon they shall become immediately due and payable in the amounts which would otherwise be due on the Extended CB Maturity Date:

- (a) 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;
- (b) 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 holder of the Convertible Bonds, or holders of the Convertible Bonds 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;
- (c) 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 holder of the Convertible Bonds, or holders of the Convertible Bonds together, holding at least 51% of the then outstanding principal amounts of Convertible Bonds;
- (d) an encumbrancer takes possession 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;
- (e) 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;

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- (f) the Company or any of its subsidiaries is unable to pay its debts (save and except for such debts as set out in the disclosure letter to the Subscription Agreement) as and when they fall due or the Company or any of its subsidiaries shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;
- (g) early termination of any of the documents in relation to the arrangement between the Group and some of its principal banks in relation to the restructuring of certain bank borrowings of the Group (for details, please refer to the Company's circular dated 21 September 2015) or any breach or default by the Company and/or any of its subsidiaries (as the case may be) in the performance or observance of any undertaking, covenant, condition or provision of such documents;
- (h) 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;
- (i) any event occurs which has an analogous effect to any of the events referred to in paragraphs (a) to (h) above;
- (j) the listing of the Shares of the Company is withdrawn from the Stock Exchange; or
- (k) trading of the Shares of the Company are suspended for a consecutive period of more than 90 Business Days.

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- Transfer : Subject to the Bondholder's agreement and undertaking with the Company not to effect any transfer, assignment or other disposal of all or any of the Convertible Bonds from the date of the Second Supplemental Agreement up to and including the effective date of the Second Extension, the Convertible Bonds are freely assignable and transferrable by the holder(s) of the Convertible Bonds subject to the applicable laws and regulations and the Listing Rules, provided that the Convertible Bonds may not be transferred by the holder(s) of the Convertible Bonds, without the prior written consent of the Company, to any connected person 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 HK\$1,000,000 of that Convertible Bond.
- Form and denomination : The Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 and integral multiples thereof.

Adjustment of Conversion Price

Subject to the terms and conditions of the Convertible Bonds, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of the following provisions, it shall fall within the first of the applicable provisions to the exclusion of the remaining provisions:

(i) Consolidation, subdivision or reclassification:

If and whenever there shall be an alteration to the share capital of the Company as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the 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) Capitalisation of profits or reserves:

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received in cash (“**Scrip Dividend**”), the Conversion Price shall be adjusted in the case of an issue of Shares other than by way of Scrip Dividend by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

- A is the number of issued Shares immediately before such issue; and
- B is the number of issued Shares immediately after such issue; and

in the case of an issue of Shares by way of a Scrip Dividend the Current Market Price of which Shares exceeds 120% of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a capital distribution, by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of issued Shares immediately before such issue;
- B is the number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the number of Shares issued in respect of each existing Share in lieu of the whole, or the relevant part of the Relevant Cash Dividend; and
- C is the number of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an approved merchant bank or the auditors of the Company shall certify to the Company is fair and reasonable and is acceptable to the holder(s) of the Convertible Bonds concerned.

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of such Shares.

(iii) Capital distribution:

If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the Conversion Price falls to be adjusted under subparagraph (ii) above or falls within sub-paragraph (ii) above but no adjustment falls to be made), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

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

where:

- A is the Current Market Price of one Share on the dealing day last preceding the date on which the capital distribution is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made.

(iv) Rights issues of Shares or options over Shares:

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the Current Market Price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would subscribe for or purchase at such Current Market Price per Share; and

LETTER FROM THE BOARD

- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

(v) *Rights issues of other securities:*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

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

where:

- A is the Current Market Price of one Share on the last dealing day preceding the date on which such issue or grant is publicly announced; and
- B is the fair market value on the date of such announcement as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

(vi) *Issues at less than Current Market Price:*

If and whenever the Company shall issue (otherwise than as mentioned in subparagraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90% of the Current Market Price on the dealing day last preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{C}$$

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where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(vii) *Other issues at less than Current Market Price:*

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (vii), if and whenever the Company or any subsidiary of the Company (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other person shall issue wholly for cash any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price per Share on the last dealing day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted, by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue (or grant);

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- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued upon conversion into or subscription for exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue (or grant) of such securities.

(viii) Modification of rights of conversion etc.:

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in subparagraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90% of the Current Market Price per Share on the last dealing day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

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(ix) Other offers to Shareholders:

If and whenever the Company or any subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary of the Company or such other person pursuant to which offer all or substantially all the Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraphs (iv) to (vii) above), the Conversion Price shall be adjusted by, multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

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

where:

- A is the Current Market Price of one Share on the last dealing day preceding the date on which such issue is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the relevant offer attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

(x) Other events:

If the Company considers that it would be appropriate for an adjustment to be made to the Conversion Price as a result of one or more events or circumstances not referred to 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 what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and 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 Conversion Price) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph if the approved merchant bank or the auditors of the Company is so requested to make such a determination; provided that where the circumstances giving rise to any adjustment pursuant to the events as set out above have already resulted or will result in an adjustment to the 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 Conversion Price, such modification (if any) shall be made to the operation of the above provisions 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.

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If such other events under this sub-paragraph (x) occurred and where the Company considers it would be appropriate for an adjustment to be made to the 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.

The above adjustment event is to cater for circumstances which are currently unforeseen, whereby it will provide a mechanism for the Company to adjust the Conversion Price, which adjustment may result in an increase or a reduction of the Conversion Price, and since an adjustment shall only be made if determined by an approved merchant bank or the auditors of the Company as fair and reasonable, the Directors consider that the above adjustment event is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

For the purpose of the above price adjustment events, "Current Market Price" means, in respect of a Share at a particular date the average of the closing prices published in the Stock Exchange's daily quotations sheet for one Share (assuming a transaction in a board lot) for the five consecutive dealing days ending on and including the dealing day last preceding such date; provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued will not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and
- (ii) if the Shares to be issued will rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the relevant 5 dealing days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

LETTER FROM THE BOARD

Effect on the Shareholding Structure of the Company

Assuming there being no change in the share capital and shareholding structure of the Company from the Latest Practicable Date other than the allotment and issue of the Conversion Shares issuable under the Convertible Bonds, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Convertible Bonds; and (iii) immediately upon maximum conversion of the Convertible Bonds assuming the Company is to be in full compliance with the minimum public float requirement under the Listing Rules is as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds (at the Conversion Price)		Immediately upon maximum conversion of the Convertible Bonds assuming the Company is to be in full compliance with the minimum public float requirement under the Listing Rules (at the Conversion Price)	
	Number	%	Number	%	Number	%
	of Shares	(Approx.)	of Shares	(Approx.)	of Shares	(Approx.)
<i>Substantial Shareholders</i>						
— Bondholder and concert parties (Notes 1 and 2)	3,135,509,196	35.2	8,308,269,029	59.0	7,280,060,135	55.8
— HK Bloom (Note 2)	2,508,407,357	28.2	2,508,407,357	17.8	2,508,407,357	19.2
<i>Director</i>						
— Mr. Wang Guicheng	500,000	0.01	500,000	0.004	500,000	0.004
<i>Public Shareholders</i>	3,262,989,164	36.6	3,262,989,164	23.2	3,262,989,164	25.0
				(Note 3)		
Total	8,907,405,717	100.0	14,080,165,350	100.0	13,051,956,656	100.0

LETTER FROM THE BOARD

Notes:

- (1) The entire issued share capital of the Bondholder is held by Modern Agricultural Industry Investment Holdings Limited (“**Modern Agricultural Holdings**”) which is in turn wholly-owned by 吉林省現代農業產業投資基金(有限合夥) (Jilin Province Modern Agricultural Industry Investment Fund*) (“**PRC LLP**”). The sole general partner of PRC LLP is 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Limited*) (“**GP**”). As at the Latest Practicable Date, the investment capital of PRC LLP is owned as to approximately 60.0% by 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*) (“**Nongtou**”) (Nongtou is controlled by 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*) (“**Jilin SASAC**”), as to approximately 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.*) (“**Yinhua Capital**”) and as to approximately 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*) (“**Changchun Investment Fund**”). Accordingly, each of Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by the Bondholder in the Company under the SFO.
- (2) HK Bloom is beneficially owned as to 50% by Mr. Li Zhenghao and 50% by Ms. Sun Zhen. HK Bloom has obtained ruling from the Executive in November 2019 that the presumed concert party relationship between HK Bloom and the Bondholder pursuant to class (1) of the definition of “acting in concert” under the Takeovers Code is rebutted.
- (3) Pursuant to the terms of the Convertible Bonds, the Bondholder shall not exercise the Conversion Rights to such an extent that the public float of the Shares shall become less than 25% of the issued Shares at the relevant time in breach of the minimum public float requirement under the Listing Rules.
- (4) The aggregate of the percentage figures in the table above may not add up to the total percentage figures shown due to rounding of the percentage figures.

Fundraising activities of the Company in the past 12 months

The Company has not conducted any fund raising activities during the past 12 months immediately preceding the Latest Practicable Date.

Reasons and benefits for the Extension

As at the Latest Practicable Date, the Bondholder is interested in 3,135,509,196 Shares, representing approximately 35.2% of the existing issued share capital of the Company. In the event of full conversion of the Convertible Bonds held by the Bondholder in the aggregate principal amount of HK\$1,086,279,565 at the Conversion Price of HK\$0.21 per Conversion Share, 5,172,759,833 Conversion Shares will be issuable to the Bondholder and the Bondholder will become interested in an aggregate of 8,308,269,029 Shares, representing approximately 59.0% of the enlarged issued share capital of the Company.

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The Board (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee on pages 32 to 33 of this circular after taking into account the advice from the Independent Financial Adviser) is of the view that the Second Extension is necessary for the following reasons:

- (1) full conversion of the Convertible Bonds on 15 June 2023 in the absence of the Second Extension will result in less than 25% of the Company's issued share capital being held by the public as that required by Rule 8.08 of the Listing Rules; and
- (2) The Bondholder has indicated to the Company that they are not willing to convert all or part of the Convertible Bonds on or before the Maturity Date given the out-of-money situation where the Conversion Price of HK\$0.21 per Conversion Share, which represents:
 - (a) a premium of approximately 90.9% over the closing price of HK\$0.11 per Share on the date of the Second Supplemental Agreement;
 - (b) a premium of approximately 84.2% over the average closing price of HK\$0.114 per Share of the last 5 consecutive trading days prior to and excluding the date of the Second Supplemental Agreement;
 - (c) a premium of approximately 79.2% over the average closing price of HK\$0.1172 per Share of the last 10 consecutive trading days prior to and excluding the date of the Second Supplemental Agreement;
 - (d) a premium of approximately 73.8% over the average closing price of HK\$0.1208 per Share of the last 30 consecutive trading days prior to and excluding the date of the Second Supplemental Agreement;
 - (e) a premium of approximately 136.0% over the closing price of HK\$0.089 per Share as at the Latest Practicable Date;
 - (f) a premium of approximately HK\$1.08 to audited net liabilities value per Share (“**NLV per Share**”) of approximately HK\$0.87 based on the published audited consolidated net liabilities of the Group of approximately HK\$7,787.1 million as at 31 December 2022 and the then total number of issued Shares of 8,907,405,717; and
 - (g) a premium of approximately HK\$1.01 to the adjusted NLV per Share of approximately HK\$0.80 based on the estimated adjusted net liabilities of the Group of HK\$7,164.4 million, adjusted by subtracting the valuation surplus of the land of the Group which amounted to approximately HK\$622.7 million from the audited consolidated net liabilities of the Group of approximately HK\$7,787.1 million as at 31 December 2022 and the number of issued Shares of 8,907,405,717.

LETTER FROM THE BOARD

Yet, the Group also lacks the financial resources to fully redeem the Convertible Bonds given its financial conditions. For the financial year ended 31 December 2022, the Group has recorded net liabilities of approximately HK\$7,787.1 million. Full redemption of the Convertible Bonds will have adverse impact on the cash flow and financial stability of the Group. To avoid the Group defaults in its repayment of the Convertible Bonds on the Maturity Date, the Group has requested for the Second Extension so as to allow the Group to have reasonable time to improve its business performance and financial position, and the Bondholder has agreed to such request.

It is the ongoing effort of the management of the Group to improve the financial conditions of the Group through, among others, (i) active negotiations with banks and creditors for the debt restructuring plan of the Group; (ii) resumption of land and buildings located in Luyuan District, Changchun; (iii) monitoring of the Group's operating cash flows and partial resumption of production operation; and (iv) streamlining the Group's operation by group restructuring, further details of which have been set out in the Company's annual report for the year ended 31 December 2022. Upon the Second Extension and after the Group's financial conditions and performance have improved, the Company will endeavour to facilitate the Bondholder's full or partial conversion of the Conversion Bonds while observing the minimum public float requirement under the Listing Rules.

The Board (including the independent non-executive Directors whose opinions are set out in the letter from the Independent Board Committee on pages 32 to 33 of this circular after taking into consideration the advice of the Independent Financial Adviser) considers that, although the Second Extension is not in the ordinary course of business of the Group, and yet given the nature of and the reasons for the transaction, the terms and conditions of the Second Supplemental Agreement are fair and reasonable and on normal commercial terms, the Second Extension is in the interests of the Company and the Shareholders as a whole.

Information on the Group

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

LETTER FROM THE BOARD

Information on the Bondholder

The Bondholder is an investment holding company incorporated in the British Virgin Islands. It is the controlling shareholder of the Company holding approximately 35.2% of the entire issued share capital of the Company as at the Latest Practicable Date. Please refer to note 1 to the paragraph headed “2. The Second Supplemental Agreement – Effect on the Shareholding Structure of the Company” in this letter from the Board for details of the shareholding structure of the Bondholder. Based on publicly available information, Jilin SASAC is a government agency, Yinhua Capital is an asset management company directly wholly-owned by 銀華基金管理股份有限公司 (Yinhua Fund Management Co., Ltd*) (“**Yinhua Fund**”), which is in turn owned as to (i) 49.00% by 西南證券股份有限公司 (Southwest Securities Co., Ltd.) (Stock Code: 600369); (ii) 29.00% by 第一創業證券股份有限公司 (First Capital Securities Co., Ltd.) (Stock Code: 002797); and, (iii) 21.00% by 東北證券股份有限公司 (Northeast Securities Co., Ltd.) (Stock Code: 000686), all of which being companies listed on the Shenzhen Stock Exchange. The remaining 1% interest in Yinhua Fund is ultimately controlled by Mr. Zhang Zhixiang, Mr. Zhang Weixiang, Mr. Tao Zhonghai, Mr. Li Mingdong, Mr. Yuan Zhanyong, and 復星國際有限公司 (Fosun International Limited), a company listed on the Stock Exchange (Stock Code: 00656). Changchun Investment Fund is a Changchun municipal government owned investment company ultimately owned as to approximately 84.12% by 長春市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 Changchun City*), 8.56% by 吉林省財政廳 (Jilin Provincial Department of Finance*) and 7.32% by 長春市財政局 (Changchun Municipal Finance Bureau*).

The Bondholder intends that, following the entering into of the Second Supplemental Agreement, the Group will continue to operate and develop its existing business, and it has no intention to introduce any major changes in the business (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

3. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. In accordance with Rule 28.05 of the Listing Rules, application will be made by the Company to the Stock Exchange for (1) the approval to the Second Extension; and (2) the granting of the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Second Supplemental Agreement.

The Second Extension also constitutes a grant of securities convertible into shares and is subject to approval by the Shareholders pursuant to Rule 13.36(1)(a) of the Listing Rules. As the Bondholder holds approximately 35.2% of the issued share capital of the Company as at the Latest Practicable Date and is a connected person of the Company, the Second Extension also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

4. APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER

The number of Conversion Shares to be issued upon full conversion of the Convertible Bonds after the Second Extension remains unchanged. As illustrated in the table under the paragraph headed “2. The Second Supplemental Agreement – Effect on the Shareholding Structure of the Company” in this letter from the Board, full conversion of the Convertible Bonds at the Conversion Price by the Bondholder would result in the shareholding in the Company of the Bondholder being increased from approximately 35.2% to approximately 59.0%. This will render the Bondholder to be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Bondholder (together with its concert parties) under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

As at the Latest Practicable Date, GSH is a subsidiary of the Company. As announced in the Joint Announcement, the Group and Mr. Kong Zhanpeng and Mr. Wang Tiegungang (Mr. Kong and Mr. Wang together, the “**Joint Offerors**” or “**Strategic Investors**”) entered into a sale and purchase agreement in relation to the disposal of approximately 47.00% of the issued shares in GSH by the Group to the Joint Offerors, being third parties independent of and not connected with the Company and its connected person (the “**GSH Disposal**”). Upon completion of the GSH Disposal, GSH will cease to be a subsidiary of the Company. Pursuant to the voting results of the extraordinary general meeting of the Company held on 20 June 2023 as disclosed in the voting results announcement of the Company dated 20 June 2023, Shareholders have approved the GSH Disposal by way of ordinary resolutions. As at the Latest Practicable Date, conditions precedent (iii) and (iv) of the GSH Disposal as set out under the paragraph headed “Disposal of approximately 47.00% of the issued shares in GSH by GBT Group to the Joint Offerors – Conditions precedent” in the Joint Announcement have been satisfied. For details, please refer to the announcement of the Company dated 20 June 2023 and the joint announcement issued by Joint Offerors and GSH dated 20 June 2023. Save as disclosed, all others conditions precedent of the GSH Disposal are yet to be fulfilled and/or waived hence the GSH Disposal has not yet been completed. So long as GSH remains as a subsidiary of the Company, if the Bondholder obtains statutory control in the Company (i.e. becoming interested in more than 50% of the issued Shares), it would be obliged to make a chain principle mandatory general offer in respect of the shares of GSH under Note 8 to Rule 26.1 of the Takeovers Code.

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The Bondholder has indicated that, so long as GSH remains as a subsidiary of the Company, it will not increase its shareholding in the Company, including exercising its Conversion Rights to convert the Convertible Bonds, to an extent that the chain principle mandatory general offer obligation in respect of the shares of GSH will be triggered. The Bondholder is aware that if it increases its shareholding in the Company by way of partially converting the Convertible Bonds so long as GSH remains as a subsidiary of the Company, in order to ensure it would not trigger the chain principle mandatory general offer obligation by coming to hold more than 50% of the issued Shares after the conversion, assuming there is no change in the share capital and shareholding structure of the Company as at the Latest Practicable Date other than the issue of the Conversion Shares, the maximum principal amount of the Convertible Bonds that it could convert at the Conversion Price of HK\$0.21 is HK\$553,000,000. In such case, 2,633,333,333 Conversion Shares would be issued and the Bondholder will then hold 5,768,842,529 Shares, representing approximately 49.99% of the total issued Shares as enlarged by the issue of such Conversion Shares, i.e. not exceeding 50%.

An application has been made by the Bondholder to the Executive for the grant of the Whitewash Waiver to waive the obligation of the Bondholder to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by the Bondholder and parties acting in concert with it which would otherwise arise as a result of the issue of the Conversion Shares to the Bondholder upon the exercise of the Conversion Rights of the Convertible Bonds as soon as possible. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll.

The Bondholder, its associates and concert parties and those parties who are involved in or interested in the Transactions shall abstain from voting on the resolutions to be proposed at the EGM to approve, among others, the same.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Bondholder and its concert parties in the Company will exceed 50% after the exercising of their Conversion Rights in full. The Bondholder and its concert parties may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date:

- (1) no Conversion Share has been allotted and issued under the Convertible Bonds;
- (2) the Conversion Price (which is subject to adjustments) is HK\$0.21 per Conversion Share after the adjustment to the Conversion Price from HK\$0.23 to HK\$0.22 which took effect upon the completion of the share subscription by HK Bloom on 20 August 2019 and the adjustment to the Conversion Price from HK\$0.22 to HK\$0.21 which took effect upon the completion of the share subscription by HK Bloom on 29 April 2020;
- (3) the Bondholder (together with its concert parties) owns or has control or direction over approximately 35.2% of the voting rights of the Company;

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- (4) the Convertible Bonds are convertible to a maximum of 5,172,759,833 Conversion Shares on the basis of an aggregate principal amount of HK\$1,086,279,565 to be converted at the Conversion Price of HK\$0.21 per Conversion Share (subject to adjustments) and assuming that there being no change to the share capital and shareholding structure of the Company save for the allotment and issue of the Conversion Shares under the Convertible Bonds, the 5,172,759,833 Conversion Shares issuable upon full conversion of the Convertible Bonds represent:
- (i) approximately 58.1% of the existing issued share capital of the Company as at the Latest Practicable Date; and
 - (ii) approximately 36.7% of the issued share capital of the Company as enlarged by the issue of the 5,172,759,833 Conversion Shares;
- (5) other than the Convertible Bonds, there is no outstanding derivative in respect of securities in the Company entered into by the Bondholder or any person acting in concert with it;
- (6) there was no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to shares of the Bondholder or of the Company which may be material to the Transactions;
- (7) there was no agreements or arrangements to which the Bondholder is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Transactions, other than those set out in the paragraph headed “2. The Second Supplemental Agreement – Conditions Precedent” in this letter from the Board;
- (8) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Bondholder or parties acting in concert with it to the Company or any party acting in concert with it in connection with the transaction contemplated under the Second Supplemental Agreement; and
- (9) there is no understanding, arrangement, agreement or special deal between the Bondholder or parties acting in concert with it on the one hand, and the Company and parties acting in concert with it on the other hand;

As at the Latest Practicable Date, the Company does not believe that the Second Extension and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should any concern arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Second Extension and the Whitewash Waiver do not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

5. DISCLOSURE OF DIRECTORS' INTERESTS

Mr. Yang Jian, an executive Director, who is also a director and the general manager of Nongtou, and Mr. Gao Dongsheng, a non-executive Director, who is a director of one of the limited partners of the PRC LLP, namely, Changchun Investment Fund, have abstained from voting in respect of the relevant Board resolutions approving, among others, the Transaction.

Saved as disclosed, none of the Directors has a material interest in the Transactions.

6. EGM

The Company will convene the EGM at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 10:30 a.m. on Thursday, 3 August 2023 for the Independent Shareholders to consider and, if thought fit, approve (i) the Second Extension under the Second Supplemental Agreement and the transaction contemplated thereunder; and (ii) the Whitewash Waiver. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The Bondholder, its associates and concert parties, those parties who are involved in or interested in the Transactions and those who are required to abstain from voting at the EGM to consider the approval of the Second Extension and the Whitewash Waiver under the Listing Rules and/or the Takeovers Code, shall abstain from voting on the resolutions in relation to the Transactions. Other than the Bondholder, no other Shareholders are required to abstain from voting on the resolutions to be proposed at the EGM or any adjournment thereof in respect of the Transactions.

As at the Latest Practicable Date, the Bondholder (including its associates and concert parties) was entitled to voting rights of 3,135,509,196 Shares (representing approximately 35.2% of the total voting rights of the holders of the Shares) and is a controlling Shareholder. The Bondholder (including its associates and concert parties) controls or is entitled to control over the entire voting right in respect of its Shares.

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, 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 Tuesday, 1 August 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.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions to be proposed at the EGM will be taken by poll, the results of which will be announced after the conclusion of the EGM in accordance with the Takeovers Code and the Listing Rules.

LETTER FROM THE BOARD

7. RECOMMENDATION

The Transactions

The Independent Board Committee, which comprises all three independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Transactions and as to voting. None of the members of the Independent Board Committee has any interest or involvement in the Transactions.

Octal Capital has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions and as to voting.

Your attention is drawn to:

- (1) the letter from the Independent Board Committee set out on pages 32 to 33 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to whether the Transactions are, or are not, fair and reasonable and as to voting; and
- (2) the letter from Octal Capital set out on pages 34 to 58 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the Transactions are, or are not fair and reasonable and the principal factors and reasons taken into consideration by the Independent Financial Adviser in arriving at its advice and as to voting.

Having considered the above principal factors and reasons, the Directors (including the independent non-executive Directors who are the members of the Independent Board Committee, after taking advice from the Independent Financial Adviser) are of the view that the Transactions are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the EGM to approve, ratify and/or confirm (as the case maybe) the Second Supplemental Agreement and the transaction contemplated thereunder; and (ii) the special resolution to be proposed at the EGM to approve the Whitewash Waiver.

LETTER FROM THE BOARD

8. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

The Second Extension is conditional upon, including but not limited to approval of the Second Extension by the Independent Shareholders at the EGM, and the granting of the Whitewash Waiver by the Executive. As such, the Second Extension may or may not proceed.

Shareholders and investors are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out their recommendation to the Independent Shareholders in relation to the Transactions.



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

15 July 2023

To the Independent Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED EXTENSION OF
THE MATURITY DATE OF THE CONVERTIBLE BONDS;
AND
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER**

We refer to the circular issued by the Company to its Shareholders dated 15 July 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction contemplated under the Second Supplemental Agreement constitutes connected transaction for the Company and is subject to the approval of the Independent Shareholders.

Under the Takeovers Code, the Company’s application for the grant of the Whitewash Waiver is also subject to the approval of the Independent Shareholders.

We have been appointed by the Board to form the Independent Board Committee which comprises all the independent non-executive Directors to consider (i) the connected transaction in relation to the Second Extension pursuant to the terms and conditions contained in the Second Supplemental Agreement together with the transaction contemplated thereunder; and (ii) the Whitewash Waiver (collectively, the “**Proposed Transactions**”), as to whether, in our opinion, the terms and conditions of the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned and whether such connected transaction is in the interests of the Company and its Shareholders as a whole.

** for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Octal Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders as to whether the Proposed Transactions are, or are not, fair and reasonable and as to voting.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 31 of the Circular which contains, among others, information on the Proposed Transactions as well as the letter from Octal Capital as set out on pages 34 to 58 of the Circular which contains its advice in respect of the Proposed Transactions.

Having considered the principal factors and reasons considered by, and the advice of, Octal Capital as set out in the letter from Octal Capital, we consider that, although the Second Extension is not in the ordinary course of business of the Group, and yet given the nature of and the reasons for the transaction, the terms and conditions of the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders to vote in favour of the (i) ordinary resolution to be proposed at the EGM in respect of the connected transaction in relation to the Second Extension pursuant to the terms and conditions contained in the Second Supplemental Agreement together with the transaction contemplated thereunder; and (ii) the special resolution to be proposed at the EGM in respect of the Whitewash Waiver.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Ng Kwok Pong

Independent non-executive Directors

Ms. Dong Hongxia

Mr. Yeung Kit Lam

LETTER FROM OCTAL CAPITAL

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



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

15 July 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED
EXTENSION OF THE MATURITY DATE OF THE CONVERTIBLE BONDS;
AND
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement, details of which are contained in the circular to the Shareholders dated 15 July 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 2 June 2023 (after trading hours), the Company and the Bondholder entered into the Second Supplemental Agreement to extend the Maturity Date (i.e. 15 June 2023) to the Extended CB Maturity Date (i.e. 30 September 2025) subject to fulfilment of the Conditions Precedent.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. In accordance with Rule 28.05 of the Listing Rules, application will be made by the Company to the Stock Exchange for (i) the approval to the Second Extension; and (ii) granting of the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Second Supplemental Agreement.

The Second Extension also constitutes a grant of securities convertible into shares and is subject to approval by the Shareholders pursuant to Rule 13.36(1)(a) of the Listing Rules. As the Bondholder holds approximately 35.2% of the issued share capital of the Company as at the Latest Practicable Date and is a connected person of the Company, the Second Extension also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM OCTAL CAPITAL

Upon full conversion of the Convertible Bonds, assuming that there is no other changes in the issued share capital of the Company, the Bondholder's shareholding in the Company will be increased from approximately 35.2% of the existing issued share capital of the Company to approximately 59.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. This will render the Bondholder (together with parties acting in concert with it) to be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Bondholder (together with its concert parties) under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee is, comprised of all of the independent non-executive Directors, namely Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam, who have no direct or indirect interest in the Second Supplemental Agreement or the Whitewash Waiver. The Independent Board Committee has been established in compliance with (i) Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the fairness and reasonableness of terms of the Second Supplemental Agreement and the Whitewash Waiver; and (ii) Rules 14A.40 and 14A.41 of the Listing Rules to advise the Independent Shareholders on the fairness and reasonableness of terms of the Second Supplemental Agreement, and how to vote on the relevant resolutions at the EGM or the adjournment thereof in respect of the Second Supplemental Agreement, the transaction contemplated thereunder and the Whitewash Waiver.

OUR INDEPENDENCE

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Agreement and to make recommendations as to, among others, whether the terms of the Second Supplemental Agreement are fair and reasonable and as to the voting on the Second Supplemental Agreement and the transaction contemplated thereunder, and the Whitewash Waiver. During the last two years, we had no engagement with the Company or the Bondholder as financial adviser. 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 and the Bondholder, or any of their respective subsidiaries or associates. We were not connected with the Directors, chief executive and substantial Shareholders of the Company and the Bondholder or any of their respective subsidiaries or associates, and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code and we are considered suitable to give independent advice to the Independent Board Committee.

LETTER FROM OCTAL CAPITAL

BASIS OF OUR ADVICE

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

Should there be any material changes which occurs 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 under Rule 9.1 of the Takeovers Code.

THE SECOND SUPPLEMENTAL AGREEMENT

I. Principal Factors and Reasons Considered

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement and the transaction contemplated thereunder and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. *Background of the Group*

The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. The major production facilities of the Group are all located in Changchun, Jilin as at the Latest Practicable Date.

2. *Background of the Bondholder*

The Bondholder is a company incorporated in the British Virgin Islands. It is the controlling shareholder of the Company holding 35.2% of the issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM OCTAL CAPITAL

The entire issued share capital of the Bondholder is held by Modern Agricultural Holdings which is in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP is GP. As at the Latest Practicable Date, the investment capital of PRC LLP is owned as to 60.0% by Nongtou, 26.7% by Yinhua Capital and as to 13.3% by Changchun Investment Fund. Yinhua Capital is an asset management company directly wholly-owned by Yinhua Fund. Changchun Investment Fund is a Changchun municipal government owned Investment Company.

3. *Financial information of the Group*

Review of financial performance

The table below sets out the audited financial information of the Group for the years ended 31 December 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”).

	FY2022 <i>(Audited)</i> <i>HK\$ '000</i>	FY2021 <i>(Audited)</i> <i>HK\$ '000</i>	FY2020 <i>(Audited)</i> <i>HK\$ '000</i>
Revenue	372,278	746,551	848,867
Gross profit	34,597	48,351	74,100
Gross margin	9.3%	6.5%	8.7%
Other income and gains	30,874	1,406,507	389,748
Operating expenses	(913,037)	(1,071,738)	(1,419,426)
Loss on modification of convertible bonds	–	–	(728,190)
Share of loss of a joint venture	–	(2,004)	(2,332)
Finance costs	(726,218)	(790,585)	(724,826)
Loss before tax	(1,573,784)	(409,469)	(2,410,926)
Income tax credit (expenses)	54,219	(25,920)	(22,340)
Loss after tax	(1,519,565)	(435,389)	(2,433,266)
Excluding one-off/non-recurring items:			
(a) Gain on debt restructuring	–	(1,325,031)	–
(b) Gain on resumption of the Luyuan properties owned by Changchun Dihao Foodstuff Development Co. Ltd. (the “ Dihao Foodstuff Properties ”)	–	–	(289,356)
(c) Loss on modification of convertible bonds	–	–	728,190
Adjusted loss after tax	(1,519,565)	(1,760,420)	(1,994,432)

LETTER FROM OCTAL CAPITAL

FY2020 versus FY2021

The Group recorded revenue of approximately HK\$746.6 million in FY2021, representing a decrease of approximately 12.1% from FY2020. During FY2021, due to the continued impact of the outbreak of COVID-19 and the tight operating cash flow of the Group as a result of the prolonged challenging operating environment. The Group suspended its production facilities in Harbin, Dehui, Xinglongshan and Jinzhou sites to reduce operating cash outflow and optimize use of financial resources. As disclosed in the announcement of the Company dated 29 May 2020, in respect of the Group's upstream operations, the slowdown in procurement activities of corn kernels as a result of the outbreak of COVID-19 and the PRC government's intention to increase its grain reserves have led to the tightening supply of corn kernels. Consequently, domestic corn prices have been driven up significantly. On the other hand, the outbreak of COVID-19 and economic slowdown in the PRC had an impact on the overall demand for corn-refined products as downstream consumption shrunk, which caused the prices of the upstream products of the Group to drop significantly. In view of such difficult operating environment, the Group's upstream operation has been suspended which cut off the supply of corn starch (the major raw material for the downstream production). Consequently, the downstream production has also been suspended. The suspension of operations together with the exhaustion of most of the Group's inventories have led to a drop in sales volume. During FY2021, the Group only maintained the production activities in the Shanghai site and utilize its polyol chemicals inventory to produce a small amount of anti-freeze products. The scale-down in the production capacity of the Group led to the decline in revenue.

Due to the significant reduction in the Group's revenue, the gross profit of the Group decreased from HK\$74.1 million in FY2020 to HK\$48.4 million in FY2021. Moreover, the increase in the selling price of corn sweeteners did not keep up with the increase in raw material cost and cost of energy consumption. As a result, the gross profit margin of the Group dropped from 8.7% in FY2020 to 6.5% in FY2021.

During FY2020, the Group recorded (i) a one-off loss on modification of convertible bonds of approximately HK\$728.2 million, resulting from the First Extension; and (ii) a one-off gain on resumption of the Dihao Foodstuff Properties amounted to HK\$289.4 million.

During FY2021, the Group recorded a one-off gain on debt restructuring amounted to HK\$1,325.0 million.

LETTER FROM OCTAL CAPITAL

During FY2021, the operating expenses of the Group has been reduced by 24.5% to HK\$1,071.7 million. The decline in the operating expenses was mainly due to a number of factors, including (i) the decrease in guarantee interest to approximately HK\$41.1 million (2020: HK\$153.5 million) as a result of the discharge of financial obligations pursuant to the financial guarantee contracts subsequent to the completion of the relevant repurchase agreement in relation to debt restructuring; (ii) a one-off expense for the impairment of property, plant and equipment of approximately HK\$124.9 million as a result of the suspension of certain production facilities of the Group during FY2020, the same of which was not recorded during FY2021; and (iii) a reduction in selling and distribution costs as a result of decline in sales volume.

As a result of the foregoing, the Group recorded loss after tax of approximately HK\$2,433.3 million and HK\$435.4 million in FY2020 and FY2021, respectively. Excluding the one-off/non-recurring items as shown in the above table, the adjusted loss after tax of the Group was approximately HK\$1,994.4 million and HK\$1,760.4 million in FY2020 and FY2021, respectively.

The auditors of the Company, Mazars CPA Limited, issued disclaimer of opinion for the financial statement of the Group for FY2020 and FY2021 in relation to the financial guarantee contracts and the material uncertainty related to going concern. For the detailed basis of the disclaimer opinion, please refer to the 2021 Annual Report.

FY2021 vs FY2022

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

During FY2022, the Group only maintained the production activities in the Shanghai site and generated revenue of approximately HK\$359.6 million from the sale of corn sweeteners. Around the mid of December 2022, the Group resumed its lysine operation at Changchun Dahe Bio Technology Development Co., Ltd. (長春大合生物技術開發有限公司) (“**Changchun Dahe**”).

LETTER FROM OCTAL CAPITAL

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

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

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

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

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

The auditors of the Company, Mazars CPA Limited, issued disclaimer opinion for the financial statement of the Group for FY2022 in relation to the material uncertainty related to going concern. For the detailed basis of the disclaimer opinion, please refer to the 2022 Annual Report.

LETTER FROM OCTAL CAPITAL

Review of financial position

Major items of the audited 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.

	As at 31 December		
	2022 <i>(Audited)</i> HK\$'000	2021 <i>(Audited)</i> HK\$'000	2020 <i>(Audited)</i> HK\$'000
Property, plant and equipment	4,706,470	5,381,367	5,797,334
Other non-current assets	455,863	509,140	562,253
Non-current assets	5,162,333	5,890,507	6,359,587
Inventories	216,720	81,418	143,367
Trade receivables	59,845	112,211	134,766
Prepayments, deposits and other receivables	367,995	376,239	780,677
Cash and bank balance	41,766	21,810	153,323
Other current assets	1,228	530	29,874
Current assets	687,554	592,208	1,242,007
Total assets	5,849,887	6,482,715	7,601,594
Convertible bonds	–	938,855	849,621
Other non-current liabilities	130,939	209,001	409,240
Non-current liabilities	130,939	1,147,856	1,258,861
Trade payables	1,201,524	1,172,159	1,357,959
Interest-bearing bank and other borrowings	7,113,550	7,501,280	7,925,118
Convertible bonds	1,037,451	–	–
Other current liabilities	4,153,479	3,362,245	3,076,731
Current liabilities	13,506,004	12,035,684	12,359,808
Total liabilities	13,636,943	13,183,540	13,618,669
Net current liabilities	12,818,450	11,443,476	11,117,801
Net liabilities	7,787,056	6,700,825	6,017,075
Interest-bearing bank and other borrowings, and convertible bonds (current and non-current)	8,151,001	8,440,135	8,774,739
Gearing ratio ^{Note}	139.3%	130.2%	115.4%

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

LETTER FROM OCTAL CAPITAL

The total assets of the Group had been declining from HK\$7,601.6 million as at 31 December 2020 to HK\$5,849.9 million as at 31 December 2022, among of which the cash and bank balances dropped from HK\$153.3 million to HK\$41.8 million, indicating that the Company is facing a very challenging cash flow pressure in view of the increasing liabilities and the prolonged suspension of the majority of production facilities.

Due to the production resumption in the Shanghai site from the mid of 2022 and those of Changchun Dahe in the mid of December 2022, the inventory level rebounded to HK\$216.7 million.

The total liabilities of the Group remained stable at HK\$13,618.7 million as at 31 December 2020 and HK\$13,636.9 million as at 31 December 2022, among of which interest-bearing bank and other borrowings decreased from approximately HK\$7,925.1 million to approximately HK\$7,113.6 million as at 31 December 2022. The liability component of the Convertible Bonds increased from HK\$849.6 million as at 31 December 2020 to HK\$1,037.5 million as at 31 December 2022, due the recognition of imputed interests during FY2021 and FY2022.

The Group's gearing ratio was approximately 115.4% as at 31 December 2020 and further increased to approximately 139.3% as at 31 December 2022, due to the deterioration of the Group's asset position in the past three years. The high indebtedness and net liabilities position of Group caused material uncertainty relating to going concern, leading to the disclaimer of opinion made by the auditor of the Company in FY2022.

Moreover, as set out in Appendix III of the Circular, the property valuer of the Company, Roma Appraisals Limited (the "Valuer") has performed the valuation for the land and buildings of the Group to derive their market value as at 31 May 2023.

We have reviewed and enquired the qualification and experience of the Valuer through (i) reviewing their engagement letter (including their scope of work); (ii) phone-interviewing the qualification of the Valuer including its previous experience in conducting property valuation; and (iii) enquiring the current and previous working relationship with the Group and the Bondholder. We researched from the public domain and noticed that the Valuer participated in other property valuation projects for companies listed in Hong Kong. The Valuer confirmed with us that its independence with the Group, their respective directors and controlling shareholders, we have reviewed the terms of engagement letter and noted that the purpose of which is to derive the market values of the land and buildings of the Group as at 31 May 2023. Based on the above, we are satisfied that Valuer has relevant qualifications as well as sufficient experiences in performing the property valuation.

LETTER FROM OCTAL CAPITAL

We understood that the Valuer carried out site inspection for the land and buildings of the Group in May 2023. Based on our review of the valuation report and our discussion with the Valuer and understand that, the Valuer has adopted the direct comparison approach to derive the market value of the land of the Group. We noted that the market value of the land were made reference to land transfer transactions published on the government website (www.landchina.com). We reviewed the land transfer transactions and noticed that these comparable transactions were related to industrial land located in the same city or in the vicinity of the industrial land of the Group and were mainly concluded in 2022 and 2023.

Having considered the above, in particular, (i) the Valuer is independent from the Company; (ii) the Valuer has relevant qualifications and experiences in conducting the property valuation in the PRC; (iii) the valuation methodologies adopted by the Valuer in relation to the valuation of industrial land are reasonable; and (iv) the management of the Company have discussed and reviewed the assumptions adopted in the valuation report, we have not identified any major issues that would cause us to doubt the fairness and reasonableness of the valuation result in relation to the industrial land of the Group.

Based on the valuation result in Appendix III of the Circular, the market value of the industrial land of the Group were RMB936.3 million (equivalent to approximately HK\$1,064.0 million) as at 31 May 2023. As compared to the net book value of the industrial land recorded by the Group as at 31 May 2023 and assuming all the industrial land of the Group were booked at fair value, the valuation surplus was estimated to be approximately HK\$622.7 million. Having considered the potential valuation surplus, the Group would still be in net liabilities position.

Outlook and prospects

As disclosed in the Joint Announcement and the circular dated 25 May 2023 published by the Company, the Company announced to conduct a strategic restructuring (“**GBT Restructuring**”). The Group and the Joint Offerors entered into a sale and purchase agreement in relation to the GSH Disposal. Upon completion of the GSH Disposal, GSH will cease to be a subsidiary of the Company. On the other hand, pursuant to another two sale and purchase agreements dated 6 April 2023, the Group agreed to acquire the entire equity interests in 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) (collectively “**Dihao Companies**”) from the GSH Group.

For the details of the GBT Restructuring, please refer to the circular dated 25 May 2023 published by the Company.

LETTER FROM OCTAL CAPITAL

Since the production resumption of Changchun Dahe in mid-December 2022 and up to 28 February 2023, the Group had secured over 130 domestic sales contracts for amino acid products and upstream products with aggregate sales volume of over 34,000 MT with a total contract sum of approximately RMB161.5 million. The amino acids segment has been one of the major revenue contributors of the Group. The resumption of operation of the amino acid production lines is expected to furnish the Group with a steady income stream and further alleviate its cash flow pressure. The Group aims to completely resume the production capacity of its lysine production lines in the second half of 2023. It is expected that the full resumption of the Group's lysine production would generate cash inflows to the Group in 2023 and provide sufficient capital for upgrading its existing production technologies and equipment. On the other hand, the Group will continue to monitor closely the market conditions and the financial conditions of the Group, and be cautious when formulating the Group's business strategies and determining the timing of resumption of the operation of other production facilities.

In view of the high indebtedness level of the Group, the top priority of the management of the Company has always been to continue pushing for its debt restructuring plan, such that the finance costs of the Group can be further reduced in the near future.

On the other hand, certain land and buildings of the Group in Luyuan District, Changchun have been resumed by Luyuan Government and the Group received compensation of approximately RMB443.0 million in FY2020. It is expected that resumption of the remaining portion of land and buildings located in Luyuan District will be conducted in stages according to the PRC's Slum Redevelopment Policy. The management of the Company estimated that (i) a substantial part of land and buildings located in Luyuan District will be resumed by the local government during the period from 2024 to 2025; and (ii) the related compensation may be in the range of RMB1,800 million to RMB1,900 million by proportioning the amount of compensation received by the Group in 2020 by the relative sizes of land and buildings. We noticed that the higher end of the range (i.e. RMB1,900 million) is based on (i) the actual compensation of RMB443.0 million stipulated in the compensation agreement entered into between Changchun Dihao Foodstuff Development Co., Ltd. and the local government in September 2020; and (ii) the estimated area of land and buildings to be recalled by the local government. The lower end of the range has considered the downturn in real estate market in Changchun because the management of the Company envisaged that the local government may reduce the land and building compensation in the next phase of land resumption. As at the Latest Practicable Date, the Company and the local government are still in negotiation and have not reached a consensus in relation to the compensation. The Directors believe that the estimated compensation from the resumption of land and buildings will help relieve the financial and cash flow pressure of the Group in the coming years.

LETTER FROM OCTAL CAPITAL

Upon the completion of the GSH Disposal, the Group can focus its resources on amino acids operation and continue to leverage the abundant resources and financial strengths of its controlling shareholder in Jilin province to focus on enhancing the operational efficiency of its business in the province. The Group has been gradually resuming its production activities and resolving the issues relating to its debt and business structure. Upon the completion of the aforesaid plans, the Group expects its business operation to get back on track. By then, the Group will be in a better position to seek strategic collaboration with third party investors together with controlling shareholder's resources in Jilin province to maximize synergistic effect.

4. *Reasons and benefits for the Second Extension*

Current operation of the Group

As disclosed in the 2022 Annual Report, the Group's revenue recorded a substantial reduction in revenue from HK\$746.6 million to HK\$372.3 million due to the continued suspension of operation of the Group's production facilities in Harbin, Jinzhou and Xinglongshan sites and the temporary suspension of production in the Shanghai site for two months, leading to a material drop in the sales volume of the Group by around 50.1%. Among the total revenue of the Group for FY2022, the GSH Group contributed revenue of approximately HK\$359.6 million for the manufacture and sale of corn sweeteners, including glucose, maltose, high fructose corn syrup and maltodextrin. The Group (excluding the GSH Group) generated minimal revenue during FY2022 and the loss position of the Group had been further deteriorated.

Due to a long suspension period of production activities, the Group's revenue stream has dropped significantly during FY2022 and led to a very stressful cash flow position by the end of December 2022. Although the Group has partially restarted its production activities in the Shanghai site and Changchun Dahe, and has secured certain production orders on hand, the operating activities of the Group still recorded cash outflow of approximately HK\$88.1 million in FY2022. The Group has been planning to reserve its free cash to support its production activities given its limited financial resources. Regarding the resumption of the remaining production facilities, the Group is currently lack of working capital and is considering various fund-raising methods to get new capital at the lowest cost.

LETTER FROM OCTAL CAPITAL

Indebtedness position of the Group

As at 31 December 2022, the Group recorded net current liabilities of HK\$12,818.5 million, which mainly consists of (i) interest-bearing bank and other borrowings of approximately HK\$7,113.6 million; (ii) Convertible Bonds of approximately HK\$1,037.5 million; and (iii) trade payables of approximately HK\$1,201.5 million, and net liabilities of approximately HK\$7,787.1 million. Apart from the high indebtedness level of the Group, the cash flow of the Group has been very stressful in which the operating activities recorded net cash outflow of approximately HK\$88.1 million in FY2022 and the Group's cash and bank balance was only HK\$41.8 million as at 31 December 2022. The gearing ratio of the Group has reached 139.3% as at 31 December 2022.

Having considered that (i) the net current liabilities and net liabilities of the Group; (ii) the Group's interest-bearing bank and other borrowings of approximately HK\$7,113.6 million are all repayable within one year or on demand; and (iii) the outstanding principal of Convertible Bonds amounted to approximately HK\$1,086.3 million as at the Maturity Date represents almost 26 times of the cash and bank balance of the Group as at 31 December 2022, the management of the Company concluded that the Group has insufficient cash to redeem the outstanding principal of the Convertible Bonds on the Maturity Date.

On the other hand, the Bondholder indicated that given the out-of-money situation of the Conversion Bonds at this stage, the Bondholder is not willing to convert all or part of the Convertible Bonds on or before the Maturity Date. Under such circumstances, the Company could only request to extend the Maturity Date in order to avoid triggering an event of default of the Convertible Bonds.

Upon the completion of the GSH Disposal, the Group will receive a cash consideration of approximately HK\$43.1 million which will be allocated for daily administrative and operational expenses of the Group. Moreover, Changchun Dahe has resumed its corn-refining and amino acid production in mid-December 2022 and is expected to generate cash inflow to the Group during 2023. However, all these expected cash inflow are unable to provide sufficient funding to redeem the Convertible Bonds.

Taking into account of the Group's shortage of funding, we consider that it is reasonable to extend the Maturity Date and provide the Group a reasonable period of time to improve its financial conditions.

LETTER FROM OCTAL CAPITAL

Other financing methods

As advised by the Company, other than the Second Extension, the Company considered the feasibility of other fundraising methods such as debt financing and other forms of equity financing to raise sufficient funding for full redemption of the Convertible Bonds. During FY2022, the Group recorded finance costs of approximately HK\$726.2 million, representing almost two times of the Group's revenue for that period. The Group's gearing ratio has reached 139.3% as at 31 December 2022. For debt financing (including bank borrowings), the Directors considered that it will incur further interest expenses and leverage on the Group. Due to the loss-making performance of the Group for the past three years and the currently high leverage status of the Group, it may not be feasible for the Group to obtain additional debt financing in a cost-effective manner (as compared to the 0.01% coupon interest rate of the Convertible Bonds) and the loan interests would place heavier interest burden on the Group. Therefore, we concur with the Directors that the issuance of additional debt or obtaining bank borrowings is not a preferable choice for the Group.

The Directors considered other ways of equity financing, including open offer, rights issue, issue of new shares to raise sufficient funding to satisfy cash redemption of the Convertible Bonds. However, given that high gearing position of the Group and suspension of a majority of production facilities of the Group, it is quite difficult to induce investors to invest in the Company within a short time period. Therefore, the Directors regarded that the equity financing is not a feasible way to obtain sufficient funding within a short period of time for redemption of the Convertible Bonds.

In respect of debt financing, lenders must consider the financial health of the borrowers, and may request for collaterals as security. We understand that the Group have been loss-making for the past three years with high gearing level and the Group lacks valuable collaterals, it is difficult for the Company to obtain additional borrowings with favorable terms. In respect of equity financing, given the Group's loss-making performance and net liability position, and a majority of production facilities has been suspended, the existing Shareholders and investors may not fully support the open offer, rights issue or placing of Shares, and thus the Company is unlikely to raise funding from independent source. Under the Group's current circumstances, we are of the view that both debt financing and equity financing are not feasible at the moment.

Having considered that (i) the Group recorded net losses attributable to owners of the Company for the past three financial years; (ii) the high leverage status and net liability position of the Group; (iii) the Group does not have sufficient cash for full redemption of Convertible Bonds on or before the Maturity Date; (iv) equity financing and debt financing are not feasible; and (v) the Bondholder has no intention to covert the Convertible Bonds before the Maturity Date, we concur with the Directors that the Second Extension is the most desirable way to deal with the maturity of the Convertible Bonds and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM OCTAL CAPITAL

5. *Principal terms of the Convertible Bonds and the Second Supplemental Agreement*

The principal terms of the Convertible Bonds and the Second Supplemental Agreement are summarised as below:

Parties:	(a) the Company (as issuer); and (b) Modern Agricultural (as Bondholder).
Principal:	HK\$1,086,279,565
Coupon Interest Rate	0.01% per annum payable quarterly in arrears
Conversion Price:	HK\$0.21 per Conversion Share (which is subject to adjustments)
Original Maturity Date:	15 June 2023
Extended CB Maturity Date:	30 September 2025
Maturity and Redemption:	Without prejudice to the paragraph headed “Events of default” as disclosed in the Letter from the Board, the Company may, subject to prior agreement with the holder(s) of the Convertible Bonds, redeem at any time prior to the Extended CB Maturity Date all or part of the outstanding principal amount (unless previously converted, redeemed or cancelled) of the Convertible Bonds (together with accrued and unpaid interest, if any, in respect of the Convertible Bonds to be redeemed up to and including the redemption date) on a specified redemption date, by giving the holder(s) of the Convertible Bonds no less than 30 days’ notice of the date fixed for such redemption and the principal amount and interest amount to be redeemed.

LETTER FROM OCTAL CAPITAL

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 holder(s) of the Convertible Bonds subject to and in accordance with the terms of the Convertible Bonds on the Extended CB Maturity Date at 100% of the outstanding principal amount of the Convertible Bonds. The Convertible Bonds may not be repaid or redeemed otherwise than in accordance with the conditions of the Convertible Bonds.

Nonetheless, the Bondholder has agreed under the Second Supplemental Agreement to waive all its rights and claims against the Company for the Company's failure to repay the outstanding principal amount of the Convertible Bonds on or before the Maturity Date and confirms that such failure to repay by the Company do not constitute a breach by the Company of the Convertible Bonds nor an event of default under the Convertible Bonds subject to the condition that the Company shall make payment of all outstanding interest to the Bondholder as mutually agreed by 1 October 2023 and all outstanding principal amount of the Convertible Bonds shall be fully repaid by 31 December 2023. Such waiver will survive the lapse of the Second Supplemental Agreement if any of the Conditions Precedent are not fulfilled by the Long Stop Date.

The Company has not yet settled any of the principal amount of the Convertible Bonds since the First Extension. As at the Latest Practicable Date, the outstanding amount of the Convertible Bonds was HK\$1,086,279,565 while all outstanding interests due to the Bondholder by the Company has been fully settled by the Company.

For further details of the terms of the Convertible Bonds and the Second Supplemental Agreement, please refer to the Letter from the Board.

LETTER FROM OCTAL CAPITAL

Historical price performance of the Shares

To assess the fairness and reasonableness of the Conversion Price at HK\$0.21 per Conversion Share, we set out the following analyses:

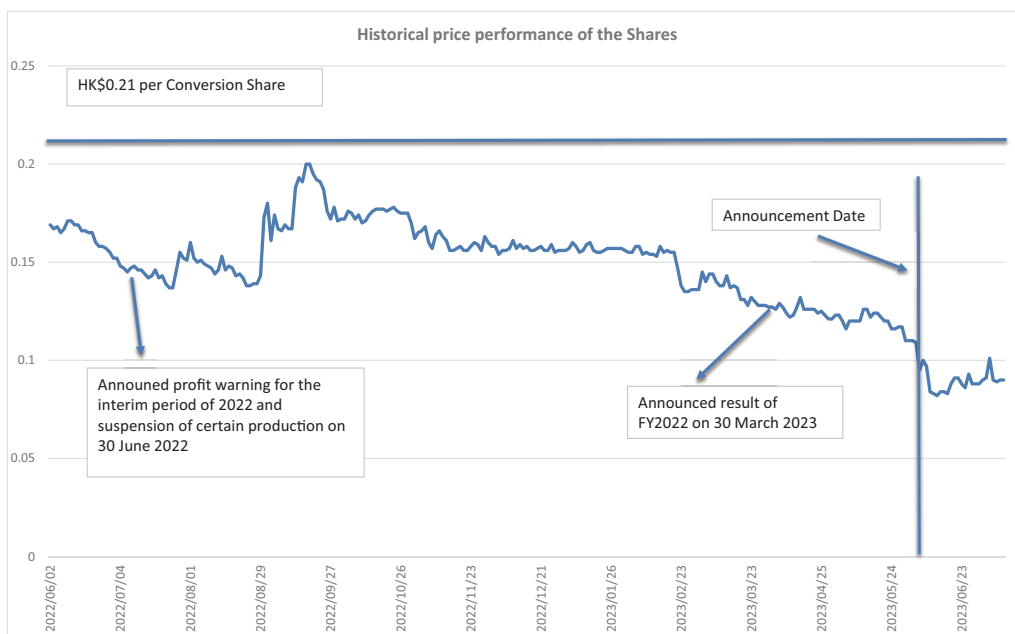
	Price per Share approximately HK\$	the Conversion Price represents premium over approximately %
(i) The closing price as quoted on the Stock Exchange on 2 June 2023, being the date of the Announcement (the “ Announcement Date ”)	0.110	90.9
(ii) The average closing price of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading day prior to and excluding the Announcement Date	0.114	84.2
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading day prior to and excluding the Announcement Date	0.1172	79.2
(iv) The average closing prices of the Shares as quoted on the Stock Exchange for the trading period of the Shares with 12 months from 2 June 2022 up to 2 June 2023 (the “ Review Period ”)	0.151	39.1
(v) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	0.089	136.0
(vi) The audited consolidated net liabilities of the Group per Share as at 31 December 2022 (based on audited consolidated net liabilities of the Group of approximately HK\$7,787.1 million as at 31 December 2022 and 8,907,405,717 Shares in issue as at the Latest Practicable Date) (the “ NLV per Share ”)	0.87	A premium of HK\$1.08

LETTER FROM OCTAL CAPITAL

As illustrated from the above table, the Conversion Price of HK\$0.21 per Conversion Share represents a material premium to the recent market price of the Shares and the NLV per Share as at 31 December 2022. As discussed in the above section headed “Review of the Financial Position”, assuming the estimated valuation surplus of the land of the Group amounted to approximately HK\$622.7 million have been recorded on the financial statement of the Group, the Group’s net liability position could be slightly improved by approximately 8.3% to HK\$7,164.4 million. We remind the Shareholders that the estimated valuation surplus does not necessarily represent the amount to be realized from the disposal of these industrial land in the future.

Based on the estimated adjusted net liabilities of the Group of HK\$7,164.4 million (i.e. HK\$7,787.1 million minus HK\$622.7 million) and 8,907,405,717 Shares in issue as at the Latest Practicable Date, the adjusted NLV per Share is HK\$0.80 per Share and the Conversion Price of HK\$0.21 per Conversion Share still represents a material premium to such adjusted NLV per Share.

We further review the closing price level of the Shares traded on the Stock Exchange during the Review Period, which is a reasonably long period covering the annual operating cycle of the Group and different market conditions prior to the Announcement Date for analysis purpose. The comparison of the historical performance of the Share price with the Conversion Price of HK\$0.21 per Conversion Share for the Review Period is illustrated below.



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

LETTER FROM OCTAL CAPITAL

As demonstrated in the above chart, during the Review Period, the Shares traded at a price ranging from HK\$0.11 per Share to HK\$0.20 per Share. The average closing price per Share during the Review Period was approximately HK\$0.151 per Share.

The price of the Shares declined from HK\$0.169 per Share from the early June 2022 to HK\$0.137 per Share on 25 July 2022. The price of Shares gradually increased to around HK\$0.20 per Share in the middle of September 2022. Afterwards, the price of Shares demonstrated a downward trend and dropped to HK\$0.11 per Share on the Announcement Date.

After the Announcement Date up to the Latest Practicable Date, the price of the Shares have been moving downward and further dropped to HK\$0.082 per Share on 13 June 2023 and closed at HK\$0.089 per Share on the Latest Practicable Date.

In light of the above analysis on historical performance of share price, which indicates that the Conversion Price is far above the trading price of the Shares for the entire Review Period, representing (i) a premium of approximately 39.1% over the average closing price of Shares during the Review Period; and (ii) a premium of approximately 90.9% over the closing price of the Shares on the Announcement Date of HK\$0.11 per Share; we consider that the Conversion Price, which is at a substantially high premium, is advantageous to the Company.

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

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\$1,519.6 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 of approximately HK\$7,787.1 million as at 31 December 2022. Upon comparison, the Conversion Price represents a significant premium over the net liabilities of approximately HK\$0.87 per Share and we considered that the Conversion Price is favorable to the Company from the P/B Ratio perspective.

LETTER FROM OCTAL CAPITAL

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 to independent third parties or connected persons for fund-raising purpose; (ii) made the relevant announcement during the 12 month period between 1 June 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 eight transactions (the “**Comparable Transactions**”) to form the base case analysis (the “**Base Case Analysis**”).

We included the issuance of convertible bonds/notes to both connected persons and independent third parties in the research since the terms of such issuance are arrived with reference to the prevailing market conditions regardless of whether the subscribers are connected persons or not and it would represent an unbiased reference on market terms for our evaluation of the terms of the Convertible Bonds. We considered that the comparison period of 12 months is appropriate since it provided a reasonable and meaningful number of samples for our analysis purpose and the Comparable Transactions provide a list of fair and representative samples.

As at the Latest Practicable Date and we noted that one of the Comparable Transactions (namely Hong Kong Aerospace Technology Group Limited) has not yet completed. Thus, we have shortlisted the completed Comparable Transactions and made a further analysis (the “**Refined Analysis**”).

LETTER FROM OCTAL CAPITAL

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 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 under the prevailing market condition and sentiment, and they are suitable reference cases for assessing the fairness and 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 (%)	Duration (year)
			the closing price on the respective last trading day/ the date of the respective announcement/ agreement (the "LTD Premium/Discount") (%)	the average closing price of five trading days prior to/including the date of the respective announcement/ agreement (the "5 Day Premium/Discount") (%)	the average closing price of ten trading days prior to/including the date of the respective announcement/ agreement (the "10 Day Premium/Discount") (%)		
5 September 2022	115	Grand Field Group Holdings Limited	15.2	15.2	15.2	6.0	1.5
14 October 2022	209	Winshine Science Company Limited	13.6	11.6	9.2	16.0	2.0
16 November 2022	138	CCT Fortis Holdings Limited	10.4	5.8	(0.3)	4.5	3.0
22 December 2022	660	Wai Chun Bio-Technology Limited	25.0	32.0	10.6	0.0	3.0
29 March 2023	164	China Baoli Technologies Holdings Limited	181.3	186.3	186.6	2.0	3.0
29 March 2023	636	Kerry Logistics Network Limited	44.2	46.6	44.7	3.3	Perpetual (Note)
3 April 2023	362	China Zenith Chemical Group Limited	(10.3)	(8.3)	(7.4)	3.0	2.0
12 May 2023 (Incomplete)	1725	Hong Kong Aerospace Technology Group Limited	(8.9)	8.3	11.8	0.5	0.6
Base Case Analysis:							
		Maximum	181.3	186.3	186.6	16.0	3.0
		Minimum	(10.3)	(8.3)	(7.4)	0.0	0.6
		Average	33.8	37.2	33.8	4.4	2.2
		Median	14.4	13.4	11.2	3.2	2.0
Refined Analysis:							
		Maximum	181.3	168.3	186.6	16.0	3.0
		Minimum	(10.3)	(8.3)	(7.4)	0.0	1.5
		Average	39.9	41.3	36.9	5.0	2.4
		Median	15.2	15.2	10.6	3.3	2.5
		Convertible Bonds	90.9	84.2	79.2	0.01	28 months

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

LETTER FROM OCTAL CAPITAL

(i) Duration

Based on the Base Case Analysis, the duration of the relevant Comparable Transactions ranged from 0.6 year (around 7 months) to 3 years. During the Refined Analysis, the duration of the relevant Comparable Transactions ranged from 1.5 year to 3 years, with both average and median duration of around 2.5 years.

The duration of the Convertible Bonds of 28 months is closed to the average and median duration of the relevant Comparable Transactions under both analysis. The extended 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 Extended CB Maturity Date.

(ii) Conversion Price

The Conversion Price of HK\$0.21 represented a premium of 90.9% as compared to the closing price of the Shares on the Announcement Date and such premium is higher than the average and median LTD Premium/Discount of the relevant comparable transactions under both Base Case Analysis and Refined Analysis.

The Conversion Price of HK\$0.21 represented a premium of 84.2% as compared to the average closing price of the Shares for 5 consecutive trading days immediately prior to the Announcement Date and such premium is higher than the average and median 5-Day Premium/Discount of the relevant Comparable Transactions under both Base Case Analysis and Refined Analysis.

The Conversion Price of HK\$0.21 represented a premium of 79.2% as compared to the average closing price of the 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 relevant Comparable Transactions under both Base Case Analysis and Refined Analysis.

(iii) Coupon interest rate

The Convertible Bonds carry coupon interest rate of 0.01% per annum and is far lower than the coupon interest rates of the relevant Comparable Transactions (excluding the zero coupon bond) under both Base Case Analysis and Refined Analysis.

We reviewed the effective interest rates of the Group's bank and other borrowings for FY2022 which ranged between 5.0% and 13.6%. Upon comparison, the coupon interest rate of the Convertible Bonds is substantially lower than the Group's existing interest rates of borrowings.

LETTER FROM OCTAL CAPITAL

Having considered that (i) the Second Extension period of 28 months is within the range of duration of the Comparable Transactions; (ii) the annual coupon rate of 0.01% would not add a substantial finance cost burden to the Group; (iii) the Conversion Price of HK\$0.21 per Conversion Share represents a material premium to the trading prices of the Shares during the Review Period; (iv) the Second Extension allows more time for the Group to generate or secure sufficient capital for full or partial redemption of the Convertible Bonds on or before the Extended CB Maturity Date; and (v) the financial difficulties faced by the Group, it is commercially justifiable for the Group to extend the maturity date of the Convertible Bond and maintain other major terms of the Convertible Bonds unchanged.

6. *Financial effect of the Second Extension*

(a) *Earnings*

Save for the legal and professional fees and expenses of approximately HK\$1,500,000 to be incurred in relation to the Second Extension and the annual coupon interests of approximately HK\$109,000, there will not be any material impact on the earnings of the Group in this regard.

(b) *Working capital*

According to the 2022 Annual Report, the Group recorded net liabilities of approximately HK\$7,787.1 million and has cash and bank balances of approximately HK\$41.8 million as at 31 December 2022. The Second Extension could allow the Group to delay the cash outflow of approximately HK\$1,086.3 million as a result of redemption of the Convertible Bonds. The quarterly payment of the coupon interests is approximately HK\$27,000 which has no material impact to the cash flow position of the Group.

(c) *Net liabilities value*

Upon the approval of the Second Extension, the Convertible Bonds will be recognized as non-current liabilities of the Group. There may be changes in the fair value of the Convertible Bonds as a result of the Second Extension. The possible changes will be subject to the valuation from independent valuer and the review of the Company's auditor during the annual audit and the preparation of the consolidated financial statement of the Group for the year ending 31 December 2023.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon completion of the Second Extension.

LETTER FROM OCTAL CAPITAL

II. Whitewash Waiver

Upon full conversion of the Convertible Bonds, assuming that there is no other changes in the issued share capital of the Company, the shareholding of the Bondholder (together with its concert parties) in the Company will be increased from approximately 35.2% of the existing issued share capital of the Company to approximately 59.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Company will not be in full compliance with the minimum public float requirement under the Listing Rules. This will render the Bondholder to be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Bondholder (together with its concert parties) under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

As at the Latest Practicable Date, GSH is a subsidiary of the Company. Upon completion of the GSH Disposal, GSH will cease to be a subsidiary of the Company. At any time before the completion of the GSH Disposal, if the Bondholder obtains statutory control in the Company, (i.e. becoming interested in more than 50% of the issued Shares), it would be obliged to make a chain principle mandatory general offer in respect of the shares of GSH under Note 8 to Rule 26.1 of the Takeovers Code.

The Bondholder has indicated, so long as GSH remains as a subsidiary of the Company, it will not increase its shareholding in the Company, including exercising its Conversion Rights to convert the Convertible Bonds, to an extent that the chain principle mandatory general offer obligation in respect of the shares of GSH will be triggered. The Bondholder is aware that if it increases its shareholding in the Company by way of partially converting the Convertible Bonds so long as GSH remains as a subsidiary of the Company, in order to ensure it would not trigger the chain principle mandatory general offer obligation by coming to hold more than 50% of the issued Shares after the conversion, assuming there is no change in the share capital and shareholding structure of the Company as at the Latest Practicable Date other than the issue of the Conversion Shares, the maximum principal amount of the Convertible Bonds that it could convert at the Conversion Price of HK\$0.21 is HK\$553,000,000. In such case, 2,633,333,333 Conversion Shares would be issued and the Bondholder will then hold 5,768,842,529 Shares, representing approximately 49.99% of the total issued Shares as enlarged by the issue of such Conversion Shares, i.e. not exceeding 50%.

An application has been made by the Bondholder to the Executive for the grant of the Whitewash Waiver to waive the obligations of the Bondholder to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by the Bondholder and parties acting in concert with it which would otherwise arise as a result of the issue of the Conversion Shares to the Bondholder upon the exercise of the Conversion Rights of the Convertible Bonds as soon as possible. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll.

LETTER FROM OCTAL CAPITAL

The Second Supplemental Agreement is conditional upon, among other matters, the grant of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or is not approved at the EGM, the Second Supplemental Agreement will not become effective. Given that the Bondholder currently has no intention to exercise the conversion rights of the Convertible Bonds under the out-of-money situation and the Group is lack of cash to redeem the Convertible Bonds, without the Second Extension, the Group will default in its repayment obligations of the Convertible Bonds on the Maturity Date and the financial conditions of the Group will further deteriorate.

In view of the above, we are of the opinion that for the purpose of facilitating the execution of the Second Supplemental Agreement, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that although the entering into the Second Supplemental Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Second Supplemental Agreement are on normal commercial terms. The transaction contemplated under the Second Supplemental Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Second Supplemental Agreement and the transaction contemplated thereunder, and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *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. FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements, together with the significant accounting policies stated therein and the accompanying notes to the financial statements of the Group for each of the three years ended 31 December 2020, 2021 and 2022 (collectively, the “**Financial Statements**”) are disclosed in the following documents which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.globalbiochem.com), and can be accessible by the links as follows:

- Annual report of the Company for the year ended 31 December 2020 (“**FY2020**”) (page 61 to 153):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301356.pdf>
- Annual report of the Company for the year ended 31 December 2021 (“**FY2021**”) (page 59 to 149):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0512/2022051200537.pdf>
- Annual Report of the Company for the year ended 31 December 2022 (“**FY2022**”) (page 56 to 141)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400868.pdf>

The Financial Statements (but not any other part of the aforementioned documents in which they appear) are incorporated by reference into this circular and form part of this circular.

2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group for the each of FY2020, FY2021 and FY2022, details of which were extracted from the audited consolidated financial statements of the Group as set out in the annual reports of the Company for FY2020, FY2021 and FY2022, respectively:

Summary of the Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three years ended 31 December 2022

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
REVENUE	372,278	746,551	848,867
Cost of sales	(337,681)	(698,200)	(774,767)
Gross profit	34,597	48,351	74,100
Other income and gains	30,874	1,406,507	389,748
Selling and distribution costs	(39,650)	(63,450)	(85,876)
Administrative expenses	(328,207)	(372,761)	(362,313)
Other expenses	(545,180)	(635,527)	(971,237)
Finance costs	(726,218)	(790,585)	(724,826)
Share of losses of a joint venture	—	(2,004)	(2,332)
Loss on modification of convertible bonds	—	—	(728,190)
LOSS BEFORE TAX	(1,573,784)	(409,469)	(2,410,926)
Income tax credit (expenses)	54,219	(25,920)	(22,340)
LOSS FOR THE YEAR	<u>(1,519,565)</u>	<u>(435,389)</u>	<u>(2,433,266)</u>
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	<u>433,334</u>	<u>(248,361)</u>	<u>(350,154)</u>

	FY2022 <i>HK\$ '000</i>	FY2021 <i>HK\$ '000</i>	FY2020 <i>HK\$ '000</i>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,086,231)</u>	<u>(683,750)</u>	<u>(2,783,420)</u>
LOSS ATTRIBUTABLE TO:			
Owners of the Company	(1,443,068)	(400,801)	(2,429,949)
Non-controlling interests	<u>(76,497)</u>	<u>(34,588)</u>	<u>(3,317)</u>
	<u>(1,519,565)</u>	<u>(435,389)</u>	<u>(2,433,266)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company	(1,021,289)	(656,559)	(2,775,616)
Non-controlling interest	<u>(64,942)</u>	<u>(27,191)</u>	<u>(7,804)</u>
	<u>(1,086,231)</u>	<u>(683,750)</u>	<u>(2,783,420)</u>
LOSS PER SHARE			
Basic	<u>HK(16.2) cents</u>	<u>HK(4.5) cents</u>	<u>HK(28.6) cents</u>
Diluted	<u>HK(16.2) cents</u>	<u>HK(4.5) cents</u>	<u>HK(28.6) cents</u>

There was no payment of dividends for each of FY2020, FY2021 and FY2022. Hence, dividends per Share for each of FY2020, FY2021 and FY2022 was inapplicable. Save as disclosed above, there are no other items of income or expense which are material for each of FY2020, FY 2021 and FY2022.

The auditors of the Company, Mazars CPA Limited, have issued disclaimer opinion for the financial statements of the Group for each of FY2020, FY2021 and FY2022.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

Relevant extracts of the auditor's report in respect of the disclaimer opinion for the consolidated financial statements of the Group for each of FY2020, FY2021 and FY2022 are produced below:

For FY2022***Basis for Disclaimer of Opinion******Material uncertainty related to going concern***

As mentioned in note 2.2 to the consolidated financial statements, as at 31 December 2022, the Group had net current liabilities and capital deficiency of HK\$12,818 million and HK\$7,787 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK\$1,520 million for the year ended 31 December 2022. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2022. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

For FY2021***Basis for Disclaimer of Opinion***

As a result of similar limitations of audit scope as mentioned below, a disclaimer of opinion was expressed by us in our report dated 31 March 2021 on the consolidated financial statements of the Group for the year ended 31 December 2020.

(i) *Financial guarantee contracts*

As mentioned in notes 2.2 and 33 to the consolidated financial statements, certain subsidiaries of the Company (the “**Guarantor Subsidiaries**”) had jointly provided corporate guarantees to a bank in connection with banking facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2020 (the “**Financial Guarantee Contracts**”). In addition, an indirect major shareholder of the Company provided confirmation in writing that it would undertake all the liabilities that might arise from the Financial Guarantee Contracts (the “**Confirmation**”). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As mentioned in note 2.2 to the consolidated financial statements, the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts were discharged on 31 March 2021. However, since the management of the Company had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Finance Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accounts (the “**HKICPA**”), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmation at 31 December 2020 were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2021.

(ii) *Material uncertainty related to going concern*

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2021, the Group had net current liabilities and capital deficiency of HK\$11,443 million and HK\$6,701 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK\$435 million for the year ended 31 December 2021. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2021. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

For FY2020

Basis for Disclaimer of Opinion

As a result of similar limitations of audit scope as mentioned in below, among others, a disclaimer of opinion was expressed by us in our report dated 26 March 2020 on the consolidated financial statements of the Group for the year ended 31 December 2019.

(i) *Financial guarantee contracts*

As mentioned in notes 2.2 and 33 to the consolidated financial statements, certain subsidiaries of the Company had jointly provided corporate guarantees in connection with financing facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2019 and 2020 (the “**Financial Guarantee Contracts**”). In addition, an indirect major shareholder of the Company provided a confirmation in writing that it would undertake all the liabilities that may arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the “**Confirmation**”). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As the management had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmation at 31 December 2019 and 2020 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2019 and 2020, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2020.

(ii) *Material uncertainty related to going concern*

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2020, the Group had net current liabilities and capital deficiency of HK\$11,118 million and HK\$6,017 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK\$2,433 million for the year ended 31 December 2020. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. INDEBTEDNESS

As at the close of business on 31 May 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\$8,364,174,000 comprising the following:

	Effective interest rate	<i>HK\$'000</i>
Current		
Bank loans, secured and guaranteed by personal guarantee (<i>Note a</i>)	12.0%	56,818
Bank loans, secured and guaranteed by corporate guarantee (<i>Note b</i>)	7.0%-8.4%	241,477
		<u>298,295</u>
Bank loans, unsecured and guaranteed by personal and corporate guarantee (<i>Note c</i>)	7.5%	316,813
Bank loans, unsecured and guaranteed by corporate guarantee (<i>Note d</i>)	5.0-10.0%	788,214
		<u>1,105,027</u>
Other loans, secured and guaranteed by corporate guarantee (<i>Note e</i>)	5.9%-10.0%	4,344,122
Other loans, unsecured and guaranteed by corporate guarantee (<i>Note f</i>)	5.7%-12.0%	1,477,273
Other loans, unsecured and unguaranteed	7.8%-13.6%	58,125
		<u>5,879,520</u>
Convertible bonds, unsecured and unguaranteed	10.0%	1,081,332
		<u>8,364,174</u>

Notes:

- a. Such personal guarantee was provided by a former director of a subsidiary of the Group.
- b. Such corporate guarantee was provided by certain subsidiaries of the Group.
- c. Such personal guarantee was provided by a member of senior management of a controlling shareholder of the Company, while the corporate guarantee was provided by a controlling shareholder of the Company.
- d. Such corporate guarantee was provided by the Company, a controlling shareholder of the Company, certain subsidiaries of the Group.
- e. Such corporate guarantee was provided by the Company and certain subsidiaries of the Group.
- f. Such corporate guarantee was provided by the Company.

The Group's bank loans amounting to HK\$298,295,000 and other loans amounting to HK\$4,344,122,000 were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group amounted to HK\$1,493,254,000 and HK\$87,090,000, respectively, and a receivable of the Group amounted to HK\$113,636,000.

At the close of business on 31 May 2023, the Company had issued and outstanding Convertible Bonds for the principal amount of HK\$1,086,279,565, which are unsecured and unguaranteed and repayable on 15 June 2023. As at the Latest Practicable Date, the outstanding amount of the Convertible Bonds was HK\$1,086,279,565, while all outstanding interest due to the Bondholder by the Company has been fully settled by the Company. The Bondholder has agreed under the Second Supplemental Agreement to waive all its rights and claims against the Company for the Company's failure to repay the outstanding principal amount of the Convertible Bonds on or before the Maturity Date (i.e. 15 June 2023) and confirms that such failure to repay by the Company does not constitute a breach by the Company nor an event of default under the terms of the Convertible Bonds subject to the condition that the Company shall make payment of all outstanding interest to the Bondholder as mutually agreed by 1 October 2023 and all outstanding principal amount and interest of the Convertible Bonds shall be fully repaid by 31 December 2023. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum. At 31 May 2023, the Convertible Bonds was divided into liability component and equity component which amounted to HK\$1,081,332,000 and HK\$972,056,000, respectively.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, none of the members of the Group had, as at 31 May 2023 being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 31 May 2023.

4. MATERIAL CHANGE

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

- (a) as disclosed in the announcement of GSH dated 28 February 2023 and the announcement of the Company dated 2 March 2023, as the conditions precedent under the conditional subscription agreement dated 24 July 2022 (the “**GSH Subscription Agreement**”) entered into between GSH and Hartington Profits Limited, a company incorporated in the British Virgin Islands with limited liability and an independent third party of the Group (the “**GSH Subscriber**”), have not been fully fulfilled (or waived by the GSH Subscriber, as the case may be) by the extended long stop date of the GSH Subscription Agreement, the GSH Subscription Agreement has therefore been terminated and all obligations of GSH and the GSH Subscriber under the GSH Subscription Agreement have ceased and determined. Deemed disposal by the Company of its interest in the issued share capital of GSH terminated as a result of the termination of the GSH Subscription Agreement;
- (b) as disclosed in the Joint Announcement and the annual report of the Company for FY2022, Global Corn Bio-chem Technology Company Limited (“**Global Corn Bio-chem**”), a wholly-owned subsidiary of the Company, as vendor, and the Strategic Investors, as purchaser entered into a sale and purchase agreement (the “**GSH SPA**”). Pursuant to the GSH SPA, the Strategic Investors have agreed to acquire, and Global Corn Bio-chem has conditionally agreed to sell, 717,965,000 shares of GSH (the “**GSH Sale Shares**”), representing approximately 47.0% of the entire issued share capital of GSH as at the date of the GSH SPA, at a total consideration of HK\$43,077,900, equivalent to HK\$0.06 per GSH Sale Share;

- (c) as further disclosed in the Joint Announcement and the annual report of the Company for the FY2022, GSH, as issuer, entered into a conditional subscription agreement (the “**GSH CB Subscription Agreement**”) with the Strategic Investors, as subscribers. Pursuant to the GSH CB Subscription Agreement, GSH has conditionally agreed to issue, and the Strategic Investors have conditionally agreed to subscribe for, the 3 year, 5% convertible bonds (the “**GSH Convertible Bonds**”) in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK\$138.0 million), which may be converted into new ordinary share(s) of HK\$0.10 each to be allotted and issued by GSH (the “**GSH Conversion Shares**”) pursuant to the exercise of the conversion rights attached to the GSH Convertible Bonds (the “**GSH CB Conversion Rights**”) at an initial conversion price of HK\$0.1 per GSH Conversion Share (the “**GSH CB Conversion Price**”), subject to the adjustment pursuant to the terms and condition of the GSH Convertible Bonds (the “**GSH CB Subscription**”). The GSH CB Subscription is considered a deemed disposal of the Group’s (excluding GSH Group) interest in GSH under Rule 14.29 of the Listing Rules. Assuming exercise of the GSH CB Conversion Rights in full at the initial GSH CB Conversion Price, GSH will issue a total of 1,380,000,000 GSH Conversion Shares to the Strategic Investors. Assuming no further change in the shareholding structure of GSH other than the GSH Disposal and full exercise the GSH CB Conversion Rights, the Group’s shareholding in GSH will be further reduced to approximately 8.96% upon the Strategic Investors’ exercise of the GSH CB Conversion Rights in full (the “**GSH Deemed Disposal**”);
- (d) as further disclosed in the Joint Announcement and the annual report of the Company for the FY2022, Global Sweeteners (China) Limited (the “**Dihao Vendor A**”) and Global Starch (Changchun) Investments Limited (the “**Dihao Vendor B**”), each a wholly-owned subsidiary of GSH, as vendors, and Global Bio-Chem Technology (HK) Limited (the “**Dihao Purchaser**”), a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement (the “**Dihao SPA I**”), pursuant to which, among others, Dihao Vendor A and Dihao Vendor B have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) (“**Dihao Foodstuff**”), at the consideration of RMB1.0. On the same day, Dihao Vendor A and Global Sorbitol (H.K.) Company Limited (the “**Dihao Vendor C**”), a wholly-owned subsidiary of GSH, as vendors, and the Dihao Purchaser, as purchaser, entered into another sale and purchase agreement (the “**Dihao SPA II**”, together with the Dihao SPA I, the “**Dihao SPAs**”), pursuant to which, among others, Dihao Vendor A and Dihao Vendor C have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) (“**Dihao Crystal Sugar**”), at the consideration of RMB1.0. Upon completion of the transfer of the equity interests under the Dihao SPAs (the “**Dihao Completion**”), each of Dihao Foodstuff and Dihao Crystal Sugar will cease to be subsidiaries of GSH, and become part of the Group (excluding GSH Group); and

- (e) as further disclosed in the Joint Announcement and the annual report of the Company for FY2022, the Company shall execute and deliver to GSH a deed of counter-guarantee (the “**GBT Counter-guarantee**”) at Dihao Completion, such that the Company will, among others, provide counter-guarantee and indemnity with a maximum liability of RMB250.0 million to GSH in respect of the obligations and liabilities that GSH may suffer under the guarantee provided by GSH to 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) (“**Nongan Branch ABC**”) on 20 May 2019 in respect of the debts owed by Dihao Foodstuff to Nongan Branch ABC.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Bondholder and parties acting in concert with it) 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Bondholder and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of the Bondholder) 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 in this circular misleading.

The sole director of the Bondholder accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) 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 in this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares		<i>HK\$</i>
<i>Authorised:</i>		
20,000,000,000	Authorised share capital of HK\$2,000,000,000 divided into 20,000,000,000 Shares	2,000,000,000.0
<i>Issued and fully paid:</i>		
8,907,405,717	Issued and paid up share capital of HK\$890,740,571.7 divided into 8,907,405,717 Shares	890,740,571.7

No Shares was issued by the Company since 31 December 2022, being the date to which the Company's latest published audited accounts were prepared, and up to and including the Latest Practicable Date. All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Save for the Conversion Shares, the Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.161 per Share (on 9 December 2022) and HK\$0.082 per Share (on 13 June 2023) respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Extension Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
30 December 2022	0.156
31 January 2023	0.157
28 February 2023	0.136
31 March 2023	0.127
28 April 2023	0.121
31 May 2023	0.110
1 June 2023 (the Extension Last Trading Day)	0.110
30 June 2023	0.088
12 July 2023 (being the Latest Practicable Date)	0.089

4. DISCLOSURE OF INTERESTS

(a) Directors' Interests and Short Positions in Shares and Underlying Shares

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

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

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

Mr. Yang Jian, an executive Director, is also a director and the general manager of Nongtou whose interest in the Shares or underlying Shares were disclosed in the subparagraph headed “(b) Substantial Shareholders’ Interests in Shares and Underlying Shares” below.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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.

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.

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

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

Name of Shareholders	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
The Bondholder	Beneficial owner (Note 2)	8,308,269,029 (L) (Note 3)	93.27
Modern Agricultural Holdings	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
PRC LLP	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
GP	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
Nongtou	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
Jilin SASAC	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
HK Bloom	Beneficial owner	2,508,407,357(L)	28.16
Li Zhenghao	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Sun Zhen	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Bank of Jilin Co., Ltd	Person having a security interest in shares (Note 5)	1,749,858,609 (L)	19.64

Notes:

1. The letter “L” denotes the Shareholders’ long position in the Shares.
2. The entire issued share capital of the Bondholder is held by Modern Agricultural Holdings which is in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP is GP. As at the Latest Practicable Date, of this circular, the investment capital of PRC LLP is owned as to approximately 60.0% by Nongtou (Nongtou is controlled by Jilin SASAC), as to approximately 26.7% by Yinhua Capital and as to approximately 13.3% by Changchun Investment Fund. Accordingly, each of Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by the Bondholder in the Company under the SFO.
3. These interest represents 3,135,509,196 Shares and the Convertible Bonds which may be converted into 5,172,759,833 Conversion Shares upon full conversion based on the Conversion Price of HK\$0.21 per Share.
4. Mr. Li Zhenghao and Ms. Sun Zhen are deemed to be interested in 28.16% of interest in the Company through their interest in 2,508,407,357 Shares as interest in controlled corporation, namely, HK Bloom.
5. Bank of Jilin Co., Ltd is a person having a security interest in Shares.

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

5. ADDITIONAL DISCLOSURE OF INTERESTS

- (1) Save as disclosed in paragraph headed “4. Disclosure of Interest – (a) Directors’ Interests and Short Positions in Shares and Underlying Shares” in this Appendix II, as at the Latest Practicable Date, none of the Directors had any interest in the Share or any convertible securities, warrants, options and derivatives in respect of Shares or other securities of the Company carrying voting rights and had not dealt for value in any Relevant Securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (2) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Convertible Bonds and/or the Conversion Shares will be transferred, charged or pledged into any other persons.
- (3) As at the Latest Practicable Date, the Bondholder, any parties acting in concert with it, the Company and the Directors had not borrowed or lent any Shares or any convertible securities, warrants, options and derivatives in respect thereof.

- (4) As at the Latest Practicable Date, save as disclosed under the paragraph headed “4. Disclosure of Interests – (b) Substantial Shareholders’ Interests in Shares and Underlying Shares” in this Appendix II, neither the Bondholder nor any person acting in concert with it, nor any director of the Bondholder holds any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (5) The Bondholder, any parties acting in concert with it, the director of the Bondholder had not dealt for value in any Shares or any convertible securities, warrants, options and derivatives in respect thereof during the Relevant Period.
- (6) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Bondholder and any parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Second Supplemental Agreement and the Whitewash Waiver.
- (7) As at the Latest Practicable Date, the Company and the Directors did not hold and had not dealt for value in any Relevant Securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Bondholder.
- (8) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or any subsidiary of the Company, or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options and derivatives in respect thereof.
- (9) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (10) As at the Latest Practicable Date, no fund which was managed on a discretionary basis by fund managers connected with the Company had any interest in any Shares or any convertible securities, warrants, options and derivatives in respect thereof.
- (11) As at the Latest Practicable Date, save as disclosed in the paragraph headed “6. EGM” in the letter from the Board in this circular, no person will be required to abstain from voting on the resolutions approving the Transactions at the EGM. In addition, no person, including the Directors, had irrevocably committed themselves to vote in favour of or against the resolutions approving the Transactions at the EGM.

- (12) As at the Latest Practicable Date, no benefit has been or would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the Whitewash Waiver (other than statutory compensation).
- (13) As at the Latest Practicable Date, no agreement or arrangement existed between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the Whitewash Waiver or otherwise connected therewith.
- (14) As at the Latest Practicable Date, no material contract had been entered into by the Bondholder and any person acting in concert with it in which any Director has a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract and appointment with the Company or any of its subsidiaries or associated companies which:

- (a) (including both continuous and fixed term contracts) have been entered into or amended during the Relevant Period;
- (b) are continuous contracts with a notice period of 12 months or more;
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by the members of the Group within two years immediately preceding 2 June 2023, being the date of the Announcement and up to and including the Latest Practicable Date and are or may be material:

- (a) the conditional agreement dated 19 January 2022 entered into between the Company (as issuer) and 睿烜(控股)投資有限公司 (Rationale (Holdings) Investment Limited) (as subscriber) (“**Rationale**”) in relation to the subscription of 1,781,481,143 Shares at the subscription price of HK\$0.1345 per Share, equivalent to an aggregate consideration of approximately HK\$239,610,000 (the “**GBT Subscription Agreement**”), which was subsequently terminated pursuant to the GBT Termination Agreement (as defined below);
- (b) the GSH Subscription Agreement;
- (c) the termination agreement entered into between the Company and Rationale on 10 October 2022 in relation to the termination of the GBT Subscription Agreement with immediate effect (the “**GBT Termination Agreement**”);
- (d) the GSH SPA;
- (e) the Dihao SPAs;
- (f) the GSH CB Subscription Agreement; and
- (g) the Second Supplemental Agreement.

9. MATERIAL ADVERSE CHANGE

Saved as disclosed in the paragraph headed “4. Material Change” in the section headed “Appendix I – Financial Information of the Group” above, as at the Latest Practicable Date, 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.

10. COMPETING INTEREST

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

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have 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
Roma Appraisals Limited (“Roma”)	Independent property valuer

Each of Octal Capital and Roma had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, its letter, reports and/or summary of its opinion (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither Octal Capital nor Roma were beneficially interested in any share capital of any member of the Group or have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or have any direct or indirect interest in any assets which since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

12. OTHER INFORMATION

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and 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.
- (b) The registered office of the Bondholder is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

- (c) The principal parties acting in concert with the Bondholder are Modern Agricultural Holdings, GP, Nongtou, Mr. Chu Junda, Mr. Zhang Kaihan, Mr. Wang Cheng, Mr. Yang Jian, Mr. Wang Zhiming, Mr. Kang Zhonggui, Mr. Li Jibao, Mr. Xu Haitao and Mr. Zhang Yanhui.
- (d) The Bondholder is directly wholly-owned by Modern Agricultural Holdings which is an investment holding company directly wholly-owned by PRC LLP, which is an agricultural fund established in the PRC whose sole general partner is GP, a wholly-owned subsidiary of Nongtou. Nongtou is in turn controlled by Jilin SASAC. As at the Latest Practicable Date, the investment capital of PRC LLP is owned as to approximately 60.0% by Nongtou, approximately 26.7% by Yinhua Capital and as to approximately 13.3% by Changchun Investment Fund.
- (e) The sole director of the Bondholder is Mr. Chu Junda.
- (f) The sole director of Modern Agricultural Holdings is Mr. Chu Junda.
- (g) The sole director of GP is Mr. Zhang Kaihan.
- (h) The ultimate controlling shareholder of Nongtou is Jilin SASAC and the directors of Nongtou are Mr. Wang Cheng, Mr. Yang Jian, Mr. Wang Zhiming, Mr. Kang Zhonggui, Mr. Li Jibao, Mr. Xu Haitao and Mr. Zhang Yanhui.
- (i) The registered office of Modern Agricultural Holdings is at Suite 1002, 10th Floor, Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong.
- (j) The registered office of PRC LLP is at 2nd Floor, No. 313 Tian Pu Road, Jingyue Development Zone, Changchun, Jilin Province, the PRC.
- (k) The registered office of GP is at 2nd Floor, No. 313 Tian Pu Road, Jingyue Development Zone, Changchun, Jilin Province, the PRC.
- (l) The registered office of Nongtou is at 5th Floor, No. 313 Tian Pu Road, Jingyue Development Zone, Changchun, Jilin Province, the PRC.

13. DOCUMENTS ON DISPLAY

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

- (a) the memorandum and articles of association of the Company valid as at the Latest Practicable Date;
- (b) the memorandum and articles of association of the Bondholder valid as at the Latest Practicable Date;
- (c) the annual reports of the Company for each of FY2021 and FY 2022;
- (e) the letter from the Board, the text of which is set out on pages 6 to 31 of this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 34 to 58 of this circular;
- (h) the valuation certificate and property valuation report from Roma in respect of the valuation of properties held by the Group, the text of which is set out on pages III-1 to III-42 of this circular;
- (i) the material contracts referred to under the paragraph headed “8. Material Contracts” in this Appendix II;
- (j) the written consents from Octal Capital and Roma as referred to in the paragraph headed “11. Qualifications and Consents of Experts” in this Appendix II;
- (k) the Subscription Agreement; and
- (l) the Announcement.

14. GENERAL

- (a) The English text of this circular shall prevail over its Chinese text.

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 May 2023 of all properties interests of the Group.



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[http:// www.romagroup.com](http://www.romagroup.com)

15 July 2023

Global Bio-Chem Technology Group Company Limited

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

Dear Sir/Madam,

Re: Valuations of Various Properties located in the People’s Republic of China

In accordance with your instructions for us to value the properties held by Global Bio-Chem Technology Group Company Limited (the “**Company**”) and/or its subsidiaries (together with the Company referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2023 for circular reference purpose.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

For the properties in the PRC, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs (“**DRC**”) instead of direct comparison method. The depreciated replacement cost approach is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

3. TITLE INVESTIGATION

For the properties in the PRC, we have been provided with copies of extracts of various title documents relating to the properties. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group’s PRC legal advisor, Guangdong Guanghe (Changchun) Law Firm regarding the title of the properties in the PRC. All documents have been used for reference only.

In valuing the property, we have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the Valuation Certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages, seizure orders or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 on Asset Valuations of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong and in accordance with the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and advised by the Group, the potential tax liabilities which would arise on the disposal of the property interests held by the Group in the PRC, for the amount of market value minus the cost of purchase, comprise PRC business tax (equivalent to 5% of sales revenue), Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax and Chinese stamp duty (0.05% of the consideration stated in sales contract). The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (“RMB”).

Our Summary of Values and Valuation Certificates are attached.

8. INDEPENDENT CLAUSE

We are independent from the Group and their respective directors and controlling shareholders and that we do not have any direct or indirect material interest in the securities or assets of the Group, its connected persons, or any associate of the Group.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F. Wong

BA (Business Admin in Acct/Econ) MSc (Real Est)

MRICS Registered Valuer MAusIMM ACIPHE

Director, Head of Property and Asset Valuation

Note: Mr. Frank F. Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering with over 24 years of valuation, transaction advisory and project consultancy experience of properties in Hong Kong and 16 years of experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, Thailand, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE), Ukraine and Jordan.

SUMMARY OF VALUES

Property held and occupied by the Group in the PRC

No. Property	Market Value in Existing State as at 31 May 2023
1. Changchun Dahe Plant located at Yaojia Village, Cai Yuan Zi Town, Dehui City, Jilin Province, the PRC	RMB1,249,800,000
2. Various buildings of Dacheng Industrial located at Yangjia Village, Fengjin Xiang, No. 28 Xihuan Road, No.12 Kaiyun Street, Changchun City, Jilin Province, the PRC	RMB124,460,000
3. Changchun Baocheng Plant located at No. 28 Xihuan Road, Lu Yuan District, Changchun City, Jilin Province, the PRC	RMB270,090,000
4. Modified Starch Plant located at Chejia Village, Cheng Xi Xiang, Lu Yuan District, Changchun City, Jilin Province, the PRC	RMB18,120,000
5. GBT Biochemical Plant located at Xinglongshan Town, Changchun City, Jilin Province, the PRC	No commercial value
6. Dacheng Bio-tech Plant located at Xinglongshan Town, Changchun City, Jilin Province, the PRC	RMB1,305,260,000

No. Property	Market Value in Existing State as at 31 May 2023
7. Dacheng Songyuan Plant located at No.148 Xincheng Dong Road, Ningjiang District, Songyuan City, the PRC	RMB33,700,000
8. Harbin Dacheng Plant located at Binxi Economical Development District, Harbin City, Heilongjiang Province, the PRC	RMB212,100,000
9. Changchun Hongcheng Plant located at Changchun Economic Technology District, Changchun City, Jilin Province, the PRC	RMB20,110,000
10. Shanghai Haocheng Plant located at No. 2017-1 Jiangchuan Road, Minhang District, Shanghai, the PRC	RMB72,300,000
11. Jinzhou Yuancheng Plant located at No. 9, Section 1, Xinhai Road, Jinzhou Economic and Technical Development Zone, Jinzhou City, Liaoning Province, the PRC	RMB195,100,000
12. Six residential buildings located at Northern of Xinhai Road, Jinzhou Economic and Technical Development Zone, Jinzhou City, Liaoning Province, the PRC	RMB15,300,000

No. Property	Market Value in Existing State as at 31 May 2023
13. Jinzhou Dacheng Plant located at No. 9, Section 1, Xinhai Road, Jinzhou Economic and Technical Development Zone, Jinzhou City, Liaoning Province, the PRC	RMB910,000
14. Longjiang GSH Grains located at Miaopu Road, Longjiang Town, Longjiang County, Qiqihaer, Heilongjiang Province, the PRC	RMB4,400,000
15. Changchun Dihao Crystal Sugar Plant located at No. 28 Xi Huan Road, Lu Yuan District, Changchun City, Jilin Province, the PRC	RMB24,300,000
16. Changchun Dihao Foodstuff Plant located at Nos. 886 and 1588 Xi Huan Road, Lu Yuan District, Changchun City, Jilin Province, the PRC	RMB71,500,000
	<hr/> Total: <u><u>RMB3,617,450,000</u></u>

VALUATION CERTIFICATE

Properties held by the Group for owner-occupation in the PRC

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
1. Changchun Dahe Plant located at Yaojia Village, Cai Yuan Zi Town, Dehui City, Jilin Province, the PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 837,721.00 sq.m., with various buildings and structures erected thereon which were completed between 2004 and 2018.</p> <p>The property has a total gross floor area (“GFA”) of about 266,445.74 sq.m.</p> <p>As advised by the Company, the Construction In Progress is suspended, the construction cost of RMB65,800,000 had been paid as at the date of Valuation.</p> <p>The land use rights of the property have been granted for a term expiring on 10 January 2054 for industrial use.</p>	The property is occupied by the Group for industrial use.	RMB1,249,800,000

Notes:

1. Pursuant to a Real Estate Title Certificate, Ji (2019) De Hui Shi Bu Dong Chan Quan Di No. 0015142, issued by the Land and Resources Bureau of Dehui on 11 June 2019, the land use rights of the property with a site area of approximately 256,000 sq.m. and a GFA of 117,234.17 sq.m. have been granted to Changchun Dahe Bio Technology Development Co., Ltd. (長春大合生物技術開發有限公司) (“**Changchun Dahe**”), is a wholly-owned subsidiary of the Company, for a term expiring on 10 January 2054 for industrial use.
2. Pursuant to a Real Estate Title Certificate, Ji (2018) De Hui Shi Bu Dong Chan Quan Di No. 0004253, issued by the Land and Resources Bureau of Dehui on 16 August 2018, the land use rights of the property with a site area of approximately 285,201 sq.m. and a GFA of 60,105.34 sq.m. have been granted to Changchun Dahe for a term expiring on 10 January 2054 for industrial use.

3. Pursuant to a Real Estate Title Certificate, Ji (2018) De Hui Shi Bu Dong Chan Quan Di No. 0004254, issued by the Land and Resources Bureau of Dehui on 16 August 2018, the land use rights of the property with a site area of approximately 296,520 sq.m. and a GFA of 84,755.47 sq.m. have been granted to Changchun Dahe for a term expiring on 10 January 2054 for industrial use.
4. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 4,350.76 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB14,760,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
5. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
6. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a. Changchun Dahe is the legal owner of the property and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The Real Estate Title Certificate Ji (2019) De Hui Shi Bu Dong Chan Quan Di No. 0015142, Ji (2018) De Hui Shi Bu Dong Chan Quan Di No. 0004253 and Ji (2018) De Hui Shi Bu Dong Chan Quan Di No. 0004254 are subject to a seized order (查封) and a mortgage. During the seized or mortgaged period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority and the mortgagee. There is a risk, the seized or mortgaged property may be forced to be auctioned or sold by the seized authority or the mortgagee. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The buildings with a total GFA of approximately 4,350.76 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
2. Various buildings of Dacheng Industrial Plants located at Yangjia Village, Fengjin Xiang, No. 28 Xihuan Road, No. 12 Kaiyun Street, Chaoyang District, Changchun City, Jilin Province, the PRC	<p>The properties comprise 4 parcels of land with a site area of approximately 470,162.00 sq.m. with various buildings and structures erected thereon which were completed between 2008 and 2013.</p> <p>The property has a total GFA of approximately 84,056.60 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.</p>	The properties are occupied by the Group for industrial use.	RMB124,460,000

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Chang Guo Yong (2005) Zi Di No. 060003467, issued by the People's Government of Changchun on 30 May 2005, the land use rights of the property with a site area of approximately 382,166 sq.m. have been granted to Changchun Dacheng Industrial Group Co., Ltd. (長春大成實業集團有限公司) ("**Dacheng Industrial**"), a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
2. Pursuant to a State-owned Land Use Right Certificate, Chang Guo Yong (2005) Zi Di No. 060003159 issued by the People's Government of Changchun on 19 May 2005, the land use rights of the property with a site area of 9,915 sq.m. have been granted to Dacheng Industrial for a term expiring on 20 October 2039 for industrial use.
3. Pursuant to a State-owned Land Use Right Certificate, Chang Guo Yong (2005) Zi Di No. 060003468 issued by the People's Government of Changchun on 30 May 2005, the land use rights of the property with a site area of 28,640 sq.m. have been granted to Dacheng Industrial, for a term expiring on 20 October 2039 for industrial use.

4. Pursuant to a Stated-owned Land Use Rights Certificate, Chang Guo Yong (2005) Zi Di No. 060003469, issued by the People's Government of Changchun on 30 May 2005, the land use rights of the property with a site area of approximately 49,441 sq.m. have been granted to Dacheng Industrial, for a term expiring on 20 October 2039 for industrial use.
5. Pursuant to a Building Ownership Certificate, Fang Quan Zheng Chang Fang Quan Zi Di No.1060140861, issued by Changchun Administration Bureau on 9 September 2011, the ownership of the property with a GFA of 122.57 sq.m. is held by Dacheng Industrial.
6. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 83,934.03 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB166,100,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
7. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
8. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use and lease of the property with legal protection under the PRC law.
 - b. The Real Estate Title Certificates Chang Guo Yong (2005) Zi Di No. 060003159, Chang Guo Yong (2005) Zi Di No. 060003468 and Chang Guo Yong (2005) Zi Di No. 060003469 are subject to a mortgage. During the mortgaged period, the property cannot be mortgaged, transferred or disposal without the permission from the mortgagee. There is a risk, the mortgaged property may be forced to be auctioned or sold by the mortgagee;
 - c. The Real Estate Title Certificate Chang Guo Yong (2005) Zi Di No. 060003467 is subject to a seized order. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee , who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - d. The Building Ownership Certificates Fang Quan Zheng Chang Fang Quan Zi Di No. 1060140861 is subject to a seized order (2022) Ji 0106 Ming Chu No. 3881 dated 26 October 2022 for 36 months and waiting seized order (輪候查封) (2023) Ji 0106 Ming Chu No. 396 dated 23 March 2023 for 36 months. During the seized period, the property cannot be mortgaged, transferred or disposal without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee , who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;

- e. The buildings with a total GFA of approximately 83,934.03 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
- f. All land premium and other costs of ancillary utility services have been settled in full; and
- g. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
3. Changchun Baocheng Plant located at No. 28 Xihuan Road, Lu Yuan District, Changchun City, Jilin Province, the PRC	The property comprises 2 parcels of land with a total site area of approximately 271,842.00 sq.m., with various buildings and structures erected thereon which were completed between 1999 and 2017.	The property is occupied by the Group for industrial use.	RMB270,090,000
	The property has a total GFA of about 188,408.86 sq.m.		
	The land use rights of the property have been granted for terms expiring on 20 October 2039 and 13 August 2047 for industrial uses.		

Notes:

1. Pursuant to 2 Stated-owned Land Use Rights Certificate, Chang Guo Yong (2014) Zi Di Nos. 060024505 and 060024506, issued by the People's Government of Changchun on 10 December 2014, the land use rights of the property with a site area of approximately 200,742 sq.m. and 71,100 sq.m. have been granted to Changchun Baocheng Bio-Chem Development Co., Ltd. (長春寶成生化發展有限公司) ("Changchun Baocheng"), a wholly-owned subsidiary of the Company for terms expiring on 13 August 2047 and 20 October 2039 respectively for industrial uses.
2. Pursuant to 32 Building Ownership Certificates, Fang Quan Zheng Chang Fang Quan Zi Di Nos. 5120003629 to 5120003660, the building ownership of the property with a total GFA of 95,593.50 sq.m. is held by Changchun Baocheng.
3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 92,815.36 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB91,800,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
 - a. Changchun Baocheng is the legal owner of the property and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The Real Estate Title Certificates Chang Guo Yong (2014) Zi Di Nos. 060024505 and 060024506 are subject to seized order and mortgage. During the seized or mortgaged period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority and the mortgagee. There is a risk, the seized or mortgaged property may be forced to be auctioned or sold by the seized authority or the mortgagee. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds.

c. The current encumbrance of properties:

No.	Building Ownership Certificate No.	GFA (sq.m.)	Status
1.	201603160479	11,844.66	
2.	5120003630	5,147.71	
3.	201603160503	1,101.56	
4.	5120003632	4,536.08	
5.	201603160485	1,015.00	
6.	5120003634	504.81	
7.	5120003635	1,252.45	
8.	5120003636	5,366.26	
9.	201603160484	6,460.85	
10.	5120003638	223.13	
11.	5120003639	541.55	
12.	201603160495	328.27	
13.	5120003641	2,373.09	These properties are subject to mortgages and seized orders. During the seized or mortgaged period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority and the mortgagee. There is a risk, the seized or mortgaged property may be forced to be auctioned or sold by the seized authority or the mortgagee. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds.
14.	201603160480	623.51	
15.	5120003643	1,049.79	
16.	201603160494	3,431.23	
17.	5120003646	5,826.64	
18.	201603160496	631.75	
19.	201603160482	1,548.72	
20.	201603160498	401.60	
21.	201603160502	568.98	
22.	201603160499	111.58	
23.	201603160483	15,974.91	
24.	201603160500	354.76	
25.	201603160481	636.34	
26.	201603160491	3,801.15	
27.	201603160504	8,682.72	
28.	201603160489	1,480.84	
29.	201603160486	6,896.76	
30.	5120003659	468.07	
31.	5120003660	1,214.78	
32.	201603160487	1,193.95	This property is subject to a seized order. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds.
	Total	<u>95,593.50</u>	

- d. The buildings with a total GFA of approximately 92,815.36 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
- e. All land premium and other costs of ancillary utility services have been settled in full; and
- f. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
4. Modified Starch Plant located at Chejia Village, Cheng Xi Xiang, Lu Yuan District, Changchun City, Jilin Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 13,820.00 sq.m., with industrial buildings and structures erected thereon which were completed between 2003 and 2013.</p> <p>The property has a total GFA of about 16,743.84 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.</p>	The property is occupied by the Group for industrial use.	RMB18,120,000

Notes:

- Pursuant to a Stated-owned Land Use Rights Certificate, Chang Guo Yong (2007) Zi Di No. 060007943, issued by the People's Government of Changchun on 15 August 2007, the land use rights of the property with a total site area of approximately 13,820.00 sq.m. have been granted to Changchun Dacheng Special Corn & Modified Starch Development Co., Ltd. (長春大成特用玉米變性澱粉開發有限公司) ("Modified Starch"), a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
- Pursuant to Building Ownership Certificates Fang Quan Zheng Chang Fang Quan Zi Di Nos. 201502100056 and 201502100076, the building ownership of the property with a total GFA of 11,997.95 sq.m. is held by Changchun Dihao Foodstuff Development Co., Ltd. (長春帝豪食品發展有限公司) ("Changchun Dihao Foodstuff"), an indirect non-wholly owned subsidiary of the Company.
- In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 4,745.89 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB2,740,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
- The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.

5. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
- a. Modified Starch is the legal owner of the property and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The Real Estate Title Certificate Chang Guo Yong (2007) Zi Di No. 060007943 is subject to a mortgage. During the mortgaged period, the property cannot be mortgaged, transferred or disposal without the permission from the mortgagee. There is a risk, the mortgaged property may be forced to be auctioned or sold by the mortgagee;
 - c. The buildings with a total GFA of approximately 4,745.89 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
5. GBT Biochemical Plant located at Xinglongshan Town, Changchun City, Jilin Province, the PRC	The property is an industrial complex comprising various buildings of reinforced frame structure construction and other ancillary facilities completed in 2007 to 2020. The property has a total GFA of about 41,729.78 sq.m.	The property is occupied by the Group for industrial use.	No commercial value.

Notes:

1. The buildings with a total gross floor area of approximately 41,729.78 sq.m. have no Real Estate Title Certificate. As advised by the Company, Changchun GBT Bio-Chemical Co., Ltd. (長春金寶特生物化工有限公司) (“**GBT Biochemical**”), is a wholly-owned subsidiary of the Company, is in the process of applying for the certificates.
2. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 41,729.78 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB140,800,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:
 - a. The buildings with a total GFA of approximately 41,729.78 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
6. Dacheng Bio-tech Plant located at Xinglongshan Town, Changchun City, Jilin Province, the PRC	The property comprises a parcel of land with a total site area of approximately 915,924.91 sq.m., with various buildings and structures erected thereon which were completed between 2010 and 2018. The property has a total GFA of about 203,457.28 sq.m. As advised by the Company, the Construction In Progress is suspended, the construction cost of RMB724,400,000 had been paid as at the date of Valuation. The land use rights of the property have been granted for terms expiring on 21 February 2055, 26 April 2067 and 30 March 2067 for industrial use.	The property is occupied by the Group for industrial use.	RMB1,305,260,000.

Notes:

1. Pursuant to a State-owned Land Use Right Certificate- Chang Guo Yong (2010) Di No. 071009051 issued by the People's Government of Changchun dated 22 March 2010, the land use rights of the lands with a total site area of 850,067.00 sq.m. have been granted to Changchun Dacheng Bio-Tech Development Co., Ltd. (長春大成生物科技開發有限公司) ("**Dacheng Bio-Tech**") is a wholly-owned subsidiary of the Company, for a term expiring on 21 February 2055 for industrial use. As advised by the Company, part of the land with a site area of approximately 28,409.09 sq.m. has been transferred to Changchun Wanxiang Corn Oil Co., Ltd (長春萬祥玉米油有限公司), a joint venture of the Group, from Changchun Dacheng Bio-Tech.
2. Pursuant to a State-owned Land Use Right Certificate- Ji (2017) Changchun City Bu Dong Chan Quan Di No. 0217736 issued by the Changchun City Bureau of Land and Resources dated 9 October 2017, the land use rights of the lands with a total site area of 41,593.00 sq.m. have been granted to Dacheng Bio-Tech, for a term expiring on 26 April 2067 for industrial use.

3. Pursuant to a State-owned Land Use Right Certificate- Ji (2017) Changchun City Bu Dong Chan Quan Di No. 0123133 issued by the Changchun City Bureau of Land and Resources dated 27 June 2017, the land use rights of the lands with a total site area of 52,674.00 sq.m. have been granted to Dacheng Bio-Tech, for a term expiring on 30 March 2067 for industrial use.
4. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 203,457.28 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB622,480,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
5. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
6. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
 - a. Dacheng Bio-Tech is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the Land Use Right Certificate Ji (2017) Changchun City Bu Dong Chan Quan Di No. 0123133 with legal protection under the PRC law;
 - b. Dacheng Bio-Tech is the legal owner of the property and has right to occupy, use and lease of the Real Estate Title Certificates Chang Guo Yong (2010) Di No. 071009051 and Ji (2017) Changchun City Bu Dong Chan Quan Di No. 0217736 and are subject to seized order. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The buildings with a total GFA of approximately 203,457.28 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
7. Dacheng Songyuan Plant located at No. 148 Xincheng Dong Road, Ningjiang District, Songyuan City, Jilin Province, the PRC	The property comprises a parcel of land with a site area of approximately 50,788.80 sq.m., with 12 single to 5-storey buildings and other ancillary facilities erected thereon which were completed between 2005 and 2018.	The property is occupied by the Group for industrial use.	RMB33,700,000
	The property has a total GFA of about 17,045.79 sq.m..		
	The land use rights of the property have been granted for a term expiring on 20 November 2054 for industrial use.		

Notes:

- Pursuant to a State-owned Land Use Right Certificate, Song Guo Yong (2005) Di No. 0001542 issued by the People's Government of Songyuan dated 29 December 2005, the land use rights of the lands with a total site area of 50,788.80 sq.m. have been granted to Dacheng Bio-Chem Technology (Songyuan) Co., Ltd. (大成生物科技(松原)有限公司) ("Dacheng Songyuan"), is a wholly-owned subsidiary of the Company, for a term expiring on 20 November 2054 for industrial use.

2. Pursuant to 11 Building Ownership Certificates issued by Songyuan Building Administration Bureau dated on 29 December 2005, the building ownership of the property with a total GFA of 16,265.79 sq.m. is held by Dacheng Songyuan. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Ji Fang Quan Zheng Song Zi Di No. SB032278	2,991.96
2	Ji Fang Quan Zheng Song Zi Di No. SB032279	2,789.41
3	Ji Fang Quan Zheng Song Zi Di No. SB032280	6,811.45
4	Ji Fang Quan Zheng Song Zi Di No. SB032281	200.63
5	Ji Fang Quan Zheng Song Zi Di No. SB032282	956.74
6	Ji Fang Quan Zheng Song Zi Di No. SB032283	358.75
7	Ji Fang Quan Zheng Song Zi Di No. SB032284	410.00
8	Ji Fang Quan Zheng Song Zi Di No. SB032285	252.00
9	Ji Fang Quan Zheng Song Zi Di No. SB032286	160.00
10	Ji Fang Quan Zheng Song Zi Di No. SB032287	97.35
11	Ji Fang Quan Zheng Song Zi Di No. SB032288	1,237.50
Total		16,265.79

3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 780.00 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB1,300,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.

5. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
- a. Dacheng Songyuan is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law, except Notes No. 5b and 5c;
 - b. Dacheng Songyuan is the legal owner of the property and has right to occupy, use and lease of the Real Estate Title Certificates stated in Notes No. 2 and are subject to seized order. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The buildings with a total GFA of approximately 780.00 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
8. Harbin Dacheng Plant Located at Binxi Economical Development District, Harbin City, Heilongjiang Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 485,826.61 sq.m., with various buildings and structures erected thereon which were completed between 2010 and 2022. The property has a total GFA of about 53,070.33 sq.m. As advised by the Company, the Construction In Progress is suspended, the construction cost of RMB27,400,000 had been paid as at the date of Valuation. The land use rights of the property have been granted for terms expiring on 8 October 2060 and 2 August 2061 for industrial uses.	The property is occupied by the Group for industrial use.	RMB212,100,000

Notes:

1. Pursuant to 3 Stated-owned Land Use Rights Certificate, Bin Guo Yong (2010) Zi Di No. 03040001, Bin Guo Yong (2014) Zi Di No. 0304028 and Hei (2018) Bin Xian real estate right Di No. 0002993, issued by the People's Government of Yibin County, the land use rights of the property with a total site area of approximately 485,826.61 sq.m. have been granted to Harbin Dacheng Bio-Technology Co., Ltd. (哈爾濱大成生物科技有限公司) ("Harbin Dacheng"), is a wholly-owned subsidiary of the Company, for terms expiring on 8 October 2060 and 2 August 2061 for industrial uses.
2. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 53,070.33 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB76,100,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

3. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
4. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
 - a. Harbin Dacheng is the legal owner of the property and has right to occupy, use and lease with legal protection under the PRC law;
 - b. The Real Estate Title Certificates stated in Notes No. 1 are subject to seized order. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The buildings with a total GFA of approximately 53,070.33 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
9. Changchun Hongcheng Plant located at Changchun Economic Technology District, Changchun City, Jilin Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 51,524.00 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 30 August 2068 for industrial use.</p>	The property is occupied by the Group for industrial use.	RMB20,110,000

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Ji (2018) Changchun City Bu Dong Chan Quan Di No. 0343247, issued by the Changchun City Bureau For Real Estate Registration on 16 October 2018, the land use rights of the property with a site area of approximately 51,524.00 sq.m. have been granted to Changchun Hongcheng Biotechnology Development Co., Ltd. (長春鴻成生物化工材料技術開發有限公司) (“**Changchun Hongcheng**”), is a wholly-owned subsidiary of the Company, for a term expiring on 30 August 2068 for industrial use.
2. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
3. We have been provided with a legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:
 - a. Changchun Hongcheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
10. Shanghai Haocheng Plant located at No. 2017-1 Jiangchuan Road, Minhang District, Shanghai, the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 30,890.00 sq.m., with various buildings and structures erected thereon which were completed between 2000 and 2018.</p> <p>The property has a total GFA of about 16,236.81 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 16 October 2051 and 18 August 2053 for industrial uses.</p>	The property is occupied by the Group for industrial use.	RMB72,300,000

Notes:

- Pursuant to 2 Real Estate Title Certificates issued by Shanghai Municipal Housing, Land & Resources Administration Bureau, the land use rights of the property with a total site area of approximately 30,890.00 sq.m. and the ownership of the buildings with a total GFA of approximately 11,319.62 sq.m. are held by Shanghai Haocheng Food Development Co., Ltd. (上海好成食品發展有限公司) (“**Shanghai Haocheng**”), which is an indirect non-wholly-owned subsidiary of the Company, for terms expiring on 16 October 2051 and 18 August 2053 respectively for industrial uses. Details are as follows:

Real Estate Title Certificate	Site Area (sq.m.)	GFA (sq.m.)
Hu Fang Di Min Zi (2004) Di No. 005758	14,790.00	6,970.79
Hu Fang Di Min Zi (2015) Di No. 013477	16,100.00	4,348.83
Total	30,890.00	11,319.62

2. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 4,917.19 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB8,700,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. The site inspection was performed by Ms. Wai Kwan Lam, Gloria, BSc (Hons) in Surveying, with about 3 years property valuation experience in the PRC in May 2023.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a. Shanghai Haocheng is the legal owner of the property and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The properties are subject to the seized order and mortgage. During the seized period, the properties cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The buildings with a total GFA of approximately 4,917.19 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
11. Jinzhou Yuancheng Plant located at No. 9, Section 1, Xinhai Road, Jinzhou Economic and Technical Development Zone, Jinzhou City, Liaoning Province, the PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 407,385.10 sq.m., with various buildings and structures erected thereon which were completed between 2004 and 2014.</p> <p>The property a has a total GFA of about 107,130.91 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 29 December 2031, 31 August 2056 and 13 March 2058 for industrial uses.</p>	The property is occupied by the Group for industrial use.	RMB195,100,000

Notes:

- Pursuant to 3 State-owned Land Use Rights Certificates issued by the People's Government of Jinzhou, the land use rights of the lands with a total site area of 407,385.10 sq.m. have been granted to Jinzhou Yuancheng Bio-Chem Technology Co., Ltd. (錦州元成生化科技有限公司) ("Jinzhou Yuancheng"), which is an indirect non-wholly-owned subsidiary of the Company. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Jin Zhou Guo Yong (2002) Ji Di No. 000011	370,128.90	Industrial	29 December 2031
Jin Zhou Guo Yong (2014) Ji Di No. 000037	12,085.00	Industrial	31 August 2056
Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001236	25,171.20	Industrial	13 March 2058
Total	407,385.10		

2. Pursuant to 37 Building Ownership Certificates issued by Jinzhou Economic and Technological Development Zone Management Committee, the building ownership of the property with a total GFA of 93,703.21 sq.m. is held by Jinzhou Yuancheng. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001284	10,691.00
2	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001285	40.93
3	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001258	72.00
4	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001265	2,976.76
5	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001252	108.00
6	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001257	12,525.99
7	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001289	101.00
8	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001263	1,351.96
9	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001270	6,066.10
10	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001277	1,022.79
11	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001286	411.55
12	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001261	15.40
13	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001288	815.07
14	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001268	85.00
15	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001278	711.00
16	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001281	577.90
17	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001287	53.30
18	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001267	2,803.26
19	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001282	7,083.98
20	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001262	2,940.26
21	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001272	1,039.70
22	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001273	6,706.60
23	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001274	16,378.74
24	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001275	1,750.00
25	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001283	397.30
26	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001256	1,248.00
27	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001260	173.00
28	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001264	774.80
29	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001266	347.00
30	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001276	1,457.97
31	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001279	1,226.96
32	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001255	18.76
33	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001254	362.61
34	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001290	590.00
35	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001259	340.46
36	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001271	9,509.06
37	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001280	929.00
	Total	93,703.21

3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 13,427.70 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB17,700,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a. Jinzhou Yuancheng is the legal owner of the property stated in Notes No. 1 and 2 and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The property with the Certificate No. Jin Zhou Guo Yong (2002) Ji Di No. 000011 and No. Jin Zhou Guo Yong (2014) Ji Di No. 000037 are subject to the seized order. And the property with the Certificate No. Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan No. 0001236 is subject to the seized order and mortgage. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The property stated in Notes No. 2 are subject to the seized order and mortgage. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - d. The buildings with a total GFA of approximately 13,427.70 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - e. All land premium and other costs of ancillary utility services have been settled in full; and
 - f. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
12. Six residential buildings located at Northern of Xinhai Road, Jinzhou Economic and Technical Development Zone, Jinzhou City, Liaoning Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 20,517.00 sq.m., with 6 residential buildings erected thereon which were completed in 2004 and 2006.</p> <p>The property has a total GFA of about 27,053.89 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years expiring on 27 September 2072 for residential use.</p>	The property is occupied by the Group for dormitory use.	RMB15,300,000

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Jin Zhou Guo Yong (2003) Zi Di No. 000027, issued by the People's Government of Jinzhou, the land use rights of the property with a site area of approximately 20,517.00 sq.m. have been granted to Jinzhou Yuancheng, which is an indirect non-wholly-owned subsidiary of the Company, for a term expiring in 27 September 2072 for residential use.
2. Pursuant to Completion Construction Works Certified Report No. 2006 Gui Yan 001 issued by Jinzhou City Construction Bureau dated 19 June 2006, the construction of the property with a total GFA of 26,204.79 sq.m. is in compliance with the planning requirements, and acceptance examination is passed.
3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 27,053.89 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB17,800,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a. Jinzhou Yuancheng is the legal owner of the property stated in Notes No. 1 and has right to occupy, use, lease, transfer, mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. The buildings with a total GFA of approximately 27,053.89 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
13. Jinzhou Dacheng Plant located at No. 9, Section 1, Xinhai Road, Jinzhou Economic and Technical Development Zone, Jinzhou City, Liaoning Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 25,133.46 sq.m. with 10 industrial buildings erected thereon which were completed between 2009 and 2014.</p> <p>The property has a total GFA of about 13,566.25 sq.m.</p> <p>The land use rights of the property have been granted for a term of 30 years expiring on 29 December 2031 for industrial use.</p>	The property is occupied by the Group for industrial use.	RMB910,000

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Jin Zhou Guo Yong (2002) Ji Di No. 000011, issued by the People's Government of Jinzhou, the land use rights of the property with a site area of approximately 370,128.90 sq.m. have been granted to Jinzhou Yuancheng, which is a non-wholly-owned subsidiary of the Company, for a term of 30 years expiring on 29 December 2031 for industrial use.
2. Pursuant to a lease agreement entered into between Jinzhou Dacheng Food Development Co., Ltd. ("**Jinzhou Dacheng**") (錦州大成食品發展有限公司), which is an indirect non-wholly-owned subsidiary of the Company, and Jinzhou Yuancheng on 29 August 2008, Jinzhou Yuancheng agreed to lease a parcel of land with a site area of 37.7 mu (or about 25,133.46 sq.m.) to Jinzhou Dacheng for a term of 20 years expiring on 28 August 2027 at an annual rent of RMB226,201.
3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 13,566.25 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB16,500,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a. Jinzhou Dacheng has right to occupy, use, lease but does not have right to transfer, mortgage or otherwise dispose of the property with legal protection under the PRC law; and
 - b. The buildings with a total GFA of approximately 13,566.25 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
14. Longjiang GSH Grains located at Miaopu Road, Longjiang Town, Longjiang County, Qiqihaer, Heilongjiang Province, the PRC	The property comprises a parcel of land with a site area of approximately 39,026.30 sq.m., with 10 industrial buildings erected thereon which were completed between 2007 and 2011.	The property is occupied by the Group for storage use.	RMB4,400,000
	The property has a total GFA of about 11,814.01 sq.m.		
	The land use rights of the property have been granted for a term expiring on 24 May 2037 for industrial use.		

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Long Jiang Xian Guo Yong (2011) Di No. 1541, issued by the People's Government of Longjiang County dated 22 December 2011, the land use rights of the property with a site area of approximately 39,026.30 sq.m. have been granted to Longjiang GSH Grains Co., Ltd. (龍江大糖糧食有限公司) ("Longjiang GSH Grains"), which is an indirect non-wholly-owned subsidiary of the Company, for a term expiring on 24 May 2037 for industrial use.
2. Pursuant to a Building Ownership Certificate, Long Fang Quan Zheng Zi Di No. QZ00022964, issued by the Building Administration Bureau of Longjiang County on 1 December 2011, the ownership of the building with a total GFA of approximately 1,115.70 sq.m. have been granted to Longjiang GSH Grains for office and storage uses.
3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 10,698.31 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB6,200,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a. The property stated in Notes No.1 is leased by Longjiang GSH Grains. During the leased period, it cannot be subleased without the consent of the lessor or the agreement of the contract. Longjiang GSH Grains has right to occupy and use but has no right to transfer, mortgage or dispose of the property;
 - b. Longjiang GSH Grains is the legal owner of the property stated in Notes No. 2 and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - c. The buildings with a total GFA of approximately 10,698.31 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
15. Changchun Dihao Crystal Sugar Plant located at No. 28 Xi Huan Road, Lu Yuan District Changchun City, Jilin Province, the PRC	The property comprises 2 parcels of land with a total site area of approximately 31,667.00 sq.m., with various buildings and structures erected thereon which were completed to 2005 to 2018. The property has a total GFA of about 8,372.94 sq.m. The land use rights of the property have been granted for terms expiring on 20 October 2039 for industrial uses.	The property is occupied by the Group for industrial use.	RMB24,300,000.

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates issued by the People's Government of Changchun, the land use rights of the lands with a total site area of 31,667.00 sq.m. have been granted to Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (長春帝豪結晶糖開發實業有限公司) ("Changchun Dihao Crystal Sugar"), which is an indirect non-wholly-owned subsidiary of the Company. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Chang Guo Yong (2014) Di No. 060024571	13,229.00	Industrial	20 October 2039
Chang Guo Yong (2014) Di No. 060024572	18,438.00	Industrial	20 October 2039
Total	31,667.00		

2. Pursuant to 4 Building Ownership Certificates issued by Changchun City Real Estate Transaction and Ownership Registration Jingyang Service Center, the building ownership of the property with a total GFA of 7,172.94 sq.m. is held by Changchun Dihao Crystal Sugar. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Fang Quan Zheng Chang Fang Quan Zi Di No. 5120003661	127.41
2	Fang Quan Zheng Chang Fang Quan Zi Di No. 5120003662	362.85
3	Fang Quan Zheng Chang Fang Quan Zi Di No. 5120003663	121.85
4	Fang Quan Zheng Chang Fang Quan Zi Di No. 5120003664	6,560.83
Total		7,172.94

3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 1,200.00 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB1,600,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
- a. Changchun Dihao Crystal Sugar is the legal owner of the property stated in Notes No. 1 and 2 and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The property stated in Notes No. 1 and 2 is subject to the mortgage;
 - c. The buildings with a total GFA of approximately 1,200.00 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2023
16. Changchun Dihao Foodstuff Plant located at Nos. 886 and 1588 Xi Huan Road, Lu Yuan District, Changchun City, Jilin Province, the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 75,838.00 sq.m., with various buildings and structures erected thereon which were completed between 1999 and 2012.</p> <p>The property has a total GFA of about 34,325.71 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 20 October 2039 and 24 October 2039 for industrial uses.</p>	The property is occupied by the Group for industrial use.	RMB71,500,000.

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates issued by the People's Government of Changchun, the land use rights of the lands with a total site area of 75,838.00 sq.m. have been granted to Changchun Dihao Foodstuff. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Chang Guo Yong (2007) Di No. 060007491	12,675.00	Industrial	20 October 2039
Chang Guo Yong (2004) Di No. 040001741	63,163.00	Industrial	24 October 2039
Total	75,838.00		

2. Pursuant to 6 Building Ownership Certificates issued by Changchun City Real Estate Transaction and Ownership Registration Jingyang Service Center, the building ownership of the property with a total GFA of 16,080.48 sq.m. is held by Changchun Dihao Foodstuff. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Fang Quan Zheng Chang Fang Quan Zi Di No. 201603160488	4,693.27
2	Fang Quan Zheng Chang Fang Quan Zi Di No. 201603160490	4,642.83
3	Fang Quan Zheng Chang Fang Quan Zi Di No. 201603160493	890.23
4	Fang Quan Zheng Chang Fang Quan Zi Di No. 201603160497	3,686.10
5	Fang Quan Zheng Chang Fang Quan Zi Di No. 201603160501	2,072.61
6	Fang Quan Zheng Chang Fang Quan Zi Di No. 201603160492	95.44
Total		16,080.48

3. In the valuation of this property, we have attributed no commercial value to the buildings with a total GFA of approximately 18,245.23 sq.m. which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the DRC of the buildings and structures (excluding the land) as at the date of valuation would be RMB22,300,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
4. The site inspection was performed by Mr. Jack Junjie Zhou, MSc (Real Estate & Hospitality Asset), with about 3 years property valuation experience in the PRC in May 2023.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
- a. Changchun Dihao Foodstuff is the legal owner of the property stated in Notes Nos. 1 and 2 and has right to occupy, use and lease of the property with legal protection under the PRC law;
 - b. The property stated in Notes Nos. 1 and 2 is subject to the seized order and mortgage. During the seized period, the property cannot be mortgaged, transferred or disposed without the permission from the seized authority. There is a risk, the seized property may be forced to be auctioned or sold by the seized authority. Property with seizure order can still be put on sales or be transferred in the open market with consent from mortgagee, who will, upon the sale or transfer, get the first priority of the sale or transfer proceeds;
 - c. The buildings with a total GFA of approximately 18,245.23 sq.m. have no Real Estate Title Certificate, which have a risk of being demolished, confiscated, and fined by relevant government departments within a specified period of time;
 - d. All land premium and other costs of ancillary utility services have been settled in full; and
 - e. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

NOTICE OF EGM



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the physical extraordinary general meeting (the “**Meeting**”) of Global Bio-chem Technology Group Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 10:30 a.m. on Thursday, 3 August 2023 for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, pass the following resolution as ordinary resolution (with or without modifications):

1. (a) “**THAT** the entering into of the second supplemental agreement dated 2 June 2023 (the “**Second Supplemental Agreement**”, a copy of which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) between the Company and Modern Agricultural Industry Investment Limited (the “**Bondholder**”) in respect of the extension of the maturity date of the convertible bonds issued by the Company to the Bondholder on 15 October 2015 (the “**Convertible Bonds**”) from 15 June 2023 to 30 September 2025 subject to fulfillment of certain conditions precedent contained in the Second Supplemental Agreement together with the transaction contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the directors (the “**Directors**”) of the Company be and are hereby granted the specific mandate to allot and issue the conversion shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds as amended by the Second Supplemental Agreement; and

** for identification purposes only*

NOTICE OF EGM

- (c) all other matters thereof and incidental thereto or in connection therewith be and are hereby generally and unconditionally ratified, confirmed and approved in all respects and that any one or more Directors (or a duly authorised committee thereof) be and are hereby generally and unconditionally authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Second Supplemental Agreement and the transaction contemplated thereunder and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.”

SPECIAL RESOLUTION

and, to consider and, if thought fit, pass the following resolution as special resolution (with or without modification):

2. “**THAT**, subject to and conditional upon the passing of resolution numbered 1 above, the waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) granting to the Bondholder pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) waiving any obligation on the part of the Bondholder to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Bondholder and parties acting in concert with it, which would otherwise arise as a result of Bondholder being allotted and issued new shares (“**Shares**”) of the Company upon the exercise of the conversion rights of the convertible bonds pursuant to the Convertible Bonds referred to in resolution numbered 1 above, be and is hereby approved, and that any one or more of the Directors be and he/she is/are hereby authorised to do all such acts and things and execute all such documents as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

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

Hong Kong, 15 July 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 shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a Shareholder. Shareholders are strongly encouraged to appoint the chairman of the Meeting as proxy to attend and vote on his/her behalf at the Meeting or any adjourned meeting.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy together with a power of attorney or other authority (under which it is signed or notarially certified thereof), if any, must be deposited at the offices of the Company’s Hong Kong branch share registrar, Tricor Tengis 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 Tuesday, 1 August 2023 (Hong Kong time)) or any adjournment thereof.
4. Delivery of an instrument appointing a proxy should not preclude a Shareholder from attending and voting in person at the above Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Friday, 28 July 2023 to Thursday, 3 August 2023, both days inclusive, during which no transfer of Shares will be effected. In order to qualify for the attendance at the Meeting, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong at the address stated in note 3 above no later than 4:30 p.m. on Thursday, 27 July 2023 for registration.
6. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the Meeting, the Meeting will be adjourned 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.
7. The Meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situation.

As at the date of this notice, the Board comprises two executive Directors, namely, Mr. Yang Jian and Mr. Wang Guicheng; one non-executive Director, namely, Mr. Gao Dongsheng; and three independent non-executive Directors, namely, Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam.