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

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

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

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**GLOBAL SWEETENERS HOLDINGS LIMITED**

**大成糖業控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 03889)**

- (1) CONTINUING CONNECTED TRANSACTIONS —  
NEW MASTER AGREEMENTS;  
(2) RE-ELECTION OF DIRECTORS; AND  
(3) NOTICE OF EGM**

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



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A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 54 of this circular.

A notice convening the EGM to be held at Jade Room, 6th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 28 February 2019 is set out on pages 63 to 65 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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, 26 February 2019 (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.

\* for identification purposes only

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## DEFINITIONS

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

“Board”	the board of Directors
“CCT Executive Committee”	the management team comprising two representatives from the senior management of the Group, established by the Board and responsible for the monitoring, review and management of the continuing connected transactions between the Group and the GBT Group
“CCT Supervisory Committee”	the committee comprising three independent non-executive Directors established by the Board to supervise the CCT Executive Committee
“Changchun Group”	the Company and its subsidiaries which have or will have their production facilities established in Changchun, the PRC and which require, as the case may be, (i) in respect of the New Utilities Master Supply Agreement, the supply and provision of the utilities and wastewater treatment services from the GBT Group; (ii) in respect of the New Corn Starch and Other Raw Materials Master Purchase Agreement, the supply of corn starch (either in powder or slurry form) and other raw materials from members of the GBT Group; and/or (iii) in respect of the Master Sales Agreement, the sales of corn sweeteners by the Group to the GBT Group
“Company”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Jade Room, 6th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 28 February 2019, the notice of which is set out on pages 63 to 65 of this circular, and any adjournment thereof

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## DEFINITIONS

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“Existing Corn Starch Master Purchase Agreement”	the agreement dated 8 April 2016 and entered into between the GBT Group as supplier and the Group as purchaser in relation to the purchase of corn starch by the Group from the GBT Group for the term commencing from 8 April 2016 and ended on 31 December 2018
“Existing Utilities Master Supply Agreement”	the agreement dated 8 April 2016 and entered into between the GBT Group as supplier and the Group as customer in relation to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group for the term commencing from 8 April 2016 and ended on 31 December 2018
“GBT”	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 and the controlling shareholder of the Company
“GBT Group”	GBT and its subsidiaries which, for the purpose of this circular, excludes the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People’s Republic of China
“Independent Board Committee”	a board committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Master Agreements and the related annual caps
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, the independent financial adviser appointed by the Board for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Master Agreements

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## DEFINITIONS

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“Independent Shareholders”	Shareholder(s) other than GBT and its associates, and all other Shareholders interested in the New Master Agreements
“Independent Third Party(ies)”	third party or parties and who and whose ultimate beneficial owner(s) are independent of the Company and the connected persons (as defined under the Listing Rules) of the Company
“Latest Practicable Date”	30 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the agreement to be entered into between the Group as seller and the GBT Group as purchaser in relation to the sales of corn sweeteners by the Group to the GBT Group for the term commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2021
“MT”	metric tonne
“New Corn Starch and Other Raw Materials Master Purchase Agreement”	the agreement to be entered into between the GBT Group as supplier and the Group as purchaser in relation to the purchase of corn starch and other raw materials such as enzymes by the Group from the GBT Group for the term commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2021
“New Master Agreements”	collectively, the New Corn Starch and Other Raw Materials Master Purchase Agreement, the New Utilities Master Supply Agreement and the Master Sales Agreement

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## DEFINITIONS

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“New Utilities Master Supply Agreement”	the agreement to be entered into between the GBT Group as supplier and the Group as customer in relation to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group for the term commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and ending on 31 December 2021
“PRC”	People’s Republic of China
“Prescribed Guidelines”	detailed rules and guidelines devised by the CCT Supervisory Committee from time to time in respect of the continuing connected transactions between the Group and the GBT Group
“SASAC of Jilin Province”	吉林省人民政府國有資產監督管理委員會 (State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin Province)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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LETTER FROM THE BOARD

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**GLOBAL SWEETENERS HOLDINGS LIMITED**  
**大成糖業控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 03889)**

*Executive Director:*

Mr. Zhang Zihua

*Registered office:*

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

*Independent non-executive Directors:*

Mr. Fong Wai Ho  
Mr. Lo Kwing Yu  
Mr. Wang Wenquan

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

Suites 2202-4  
22nd Floor  
Tower 6, The Gateway  
9 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

4 February 2019

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS —  
NEW MASTER AGREEMENTS;  
(2) RE-ELECTION OF DIRECTORS; AND  
(3) NOTICE OF EGM**

**1. INTRODUCTION**

In the announcement of the Company dated 8 January 2019, the Company announced that the Group proposed to enter into the New Master Agreements.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM to approve (i) the New Master Agreements and the related annual caps; and (ii) the re-election of Directors.

### **2. NEW MASTER AGREEMENTS FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 26 February 2016 in relation to among others, the Existing Corn Starch Master Purchase Agreement and the Existing Utilities Master Supply Agreement.

The Existing Corn Starch Master Purchase Agreement and the Existing Utilities Master Supply Agreement expired on 31 December 2018. Members of the Group in Changchun will continue the production of downstream products. It is expected that the Group will continue to utilise the electricity, water, steam and wastewater treatment facilities of the production facilities of the GBT Group there (which are adjacent to that of the Group). Members of the Group will also continue to purchase corn starch (either in powder or slurry form) from the GBT Group as its principal materials for the Group's production. In addition, the Group will also purchase other raw materials, such as enzymes which are mainly used in the production of corn starch and corn sweeteners, from a subsidiary of GBT. As such, the Company (for itself and as trustee for the benefit of other members of the Group) will enter into the New Corn Starch and Other Raw Materials Master Purchase Agreement and the New Utilities Master Supply Agreement with GBT (for itself and as trustee for the benefit of other members of the GBT Group) on and with effect from the date of approval by the Independent Shareholders at the EGM to 31 December 2021.

On the other hand, the Group's downstream production in Changchun could supply corn sweeteners to members of GBT for the production of enzymes and amino acids. Since the production facilities of the Changchun Group are in close proximity to the production facilities of the GBT Group in Changchun. Such arrangement could save the Group's processing, packaging, storage, transportation and other related selling expenses. As such, the Company (for itself and as trustee for the benefit of other members of the Group) will enter into the Master Sales Agreement with GBT (for itself and as trustee for the benefit of other members of the GBT Group) for the sale of corn sweeteners by the Group to the GBT Group on and with effect from the date of approval by the Independent Shareholders at the EGM to 31 December 2021.



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## LETTER FROM THE BOARD

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(a) **New Corn Starch and Other Raw Materials Master Purchase Agreement**

*Principal terms of the New Corn Starch and Other Raw Materials Master Purchase Agreement*

Pursuant to the New Corn Starch and Other Raw Materials Master Purchase Agreement, the Group will purchase corn starch in the form of powder or starch slurry and other raw materials, such as enzymes, from the relevant members of the GBT Group at prices to be determined from time to time by the relevant members of the GBT Group and the Group on arm's length basis and with reference to pricing method and procedures as explained below, and on such other standard terms of sale and purchase from time to time.

Pursuant to the New Corn Starch and Other Raw Materials Master Purchase Agreement, the GBT Group shall be responsible for the delivery of the corn starch and other raw materials to the production plants of the Group or such other locations from time to time designated by the Group, and the purchase price for corn starch and other raw materials shall be inclusive of transportation and packaging of the corn starch and other raw materials so purchased. In relation to corn starch in the form of starch slurry, the GBT Group will procure the delivery of corn starch slurry to the Group's Changchun production plants by way of starch pipelines. There are meters attached to the pipelines connecting between the production plants of the Changchun Group and the relevant GBT Group members in Changchun to record the amount of corn starch slurry consumed. In addition, another key raw materials for the production of the Group's products, enzymes, are main products of a subsidiary of GBT which is principally engaged in biomass processing, fermentation, research and development of bio-chemical technology equipment, and pilot production, etc. Since this subsidiary of GBT is specialised in the research and development and pilot production of bio-chemical technology, the Group could benefit from the efficiency through the use of its enzymes required by the Group's production needs by utilising the service provided by GBT and a stable supply of such enzymes. In addition, the production plant of enzymes is located at the same site as the Changchun Group in Xinglongshan, Changchun. As such, the Changchun Group could stabilise the supply of enzymes and lower transportation costs by sourcing the enzymes from the GBT Group. The payment terms for the above products will be set out in the purchase order for each order to be placed under the New Corn Starch and Other Raw Materials Master Purchase Agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group or such

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## LETTER FROM THE BOARD

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longer period as the parties may agree. The New Corn Starch and Other Raw Materials Master Purchase Agreement is for a term of three years commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and expiring on 31 December 2021 unless terminated earlier by three months' written notice by either party.

### *Pricing method and procedures*

In order to ascertain the prevailing market rates of corn starch in the form of powder or starch slurry and other raw materials from time to time and to ensure that the terms offered by the GBT Group to the Group are on normal commercial terms, pursuant to the Prescribed Guidelines, the CCT Executive Committee would obtain market selling prices of corn starch and other raw materials according to the following procedures:

- (1) the CCT Executive Committee will obtain quotation from at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) Independent Third Parties supplier(s) and compare it with the terms offered by the GBT Group for the supply of corn starch and other raw materials of comparable specifications and quantities to its Independent Third Parties customers;
- (2) the total purchase price and terms for the purchase of corn starch in the form of corn starch slurry shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its Independent Third Parties customers, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its Independent Third Parties customers for the relevant month up to the price determination date; and (ii) the quotations from Independent Third Parties supplier(s) for the purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such Independent Third Parties supplier(s) for the relevant month up to the price determination date;
- (3) the total purchase price and terms for the purchase of corn starch in the form of powder shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to

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## LETTER FROM THE BOARD

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its Independent Third Parties customers for the relevant month up to the price determination date; and (ii) the quotations from Independent Third Parties supplier(s) for the purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such Independent Third Parties supplier(s) for the relevant month up to the price determination date; and

- (4) the total purchase price and terms for the purchase of other raw materials shall be determined by using the lower of (i) (if available) the average unit purchase price of other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) from such Independent Third Parties supplier(s) for the relevant month up to the price determination date; and (ii) the quotations from Independent Third Parties supplier(s) for purchase of the other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase the products from such Independent Third Parties supplier(s) for the relevant month up to the price determination date.

### *Proposed annual caps*

The management of the Group expects that the Group will purchase 113,000MT, 185,000MT and 257,000MT of corn starch (either in powder or slurry form) and other raw materials from the GBT Group for each of the three years ending 31 December 2021, and the aggregate purchase prices payable by the Group for the purchase of corn starch (either in powder or slurry form) and other raw materials from the GBT Group for each of the three years ending 31 December 2021 will not exceed HK\$322,000,000, HK\$539,000,000 and HK\$768,000,000, respectively.

The proposed annual cap for each of the three years ending 31 December 2021 was determined by the management of the Group by reference to the aggregate amounts paid by the Group to the GBT Group in respect of the purchase of corn starch and other raw materials from the GBT Group for the two years ended 31 December 2017, which were approximately HK\$90,323,000 and HK\$115,967,000, respectively, and the year ended 31 December 2018 which

## LETTER FROM THE BOARD

amounted to approximately HK\$264,496,000 as projected based on the figures for the eleven months ended 30 November 2018, the prevailing market prices and taking into consideration of an estimated inflation rate of 3.0% in the PRC. The management of the Group expects that approximately 65.5%, 68.8% and 70.2% of the proposed annual caps for the three years ending 31 December 2021 will be directed to serve the production needs of the Changchun Group while the remaining 34.5%, 31.2% and 29.8% of the proposed annual caps for the three years ending 31 December 2021 will be directed to mainly serve the production needs of the Group's Shanghai and Jinzhou operation.

Set out below are details of the quantities and amounts of corn starch and other raw materials purchased by members of the Group during the two years ended 31 December 2017 and the year ended 31 December 2018 (based on the figures for the eleven months ended 30 November 2018):

Relevant years	Quantity and amount of corn starch and other raw materials purchased by members of the Group					Exiting annual caps under the Existing Corn Starch Master Purchase Agreement and percentage of the usage of existing annual cap	
	Quantity and amount of corn starch and other raw materials purchased by members of the Group		Quantity and amount of corn starch and other raw materials purchased from GBT Group by members of the Group and percentage of total purchase			HK\$'000	%
	MT	HK\$'000	MT	HK\$'000	%		
Year ended 31 December 2016	185,000	422,134	45,000	90,323	21.4	716,100	12.6
Year ended 31 December 2017	280,000	589,711	56,000	115,967	19.7	870,700	13.3
Year ended 31 December 2018	309,000	771,463	106,000	264,496	34.3	1,038,900	23.3

Set out below are details of the quantities and amounts of corn starch and other raw materials expected to be purchased by members of the Group for the three years ending 31 December 2021:

Relevant years	Quantity and amount of corn starch and other raw materials expected to be purchased by members of the Group					Quantity and amount of corn starch and other raw materials expected to be purchased from Independent Third Parties by members of the Group and percentage of total purchase		
	Quantity and amount of corn starch and other raw materials expected to be purchased by members of the Group		Quantity and amount of corn starch and other raw materials expected to be purchased from GBT Group by members of the Group and percentage of total purchase			Quantity and amount of corn starch and other raw materials expected to be purchased from Independent Third Parties by members of the Group and percentage of total purchase		
	MT	HK\$'000	MT	HK\$'000	%	MT	HK\$'000	%
Year ending 31 December 2019	351,000	987,822	113,000	322,000	32.6	238,000	665,822	67.4
Year ending 31 December 2020	404,000	1,170,112	185,000	539,000	46.1	219,000	631,112	53.9
Year ending 31 December 2021	457,000	1,362,450	257,000	768,000	56.4	200,000	594,450	43.6

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## LETTER FROM THE BOARD

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The historical utilisation rates of the annual caps for the two years ended 31 December 2017 of only 12.6% and 13.3% were mainly due to the delay in the relocation of production facilities from Luyuan District to Xinglongshan and the suspension of downstream production in Jinzhou site. As a result of the ongoing relocation of production facilities, the Group reduced its procurement of corn starch due to low facilities utilisation rates during the two years ended 31 December 2017. With the completion of the first phase of relocation of the members of the Group from Luyuan District to Xinglongshan in April 2017 and the completion of the second phase of the relocation of the maltodextrin production facilities in January 2018, the historical utilisation rate of the annual cap for the year ended 31 December 2018 increased to approximately 23.3%. In addition, as the upstream corn refinery of the GBT Group in Harbin has suspended its operation till end of 2017, the GBT Group did not have sufficient corn starch to supply to the Group other than the Group's operation in Xinglongshan during most of the time in 2017. However, the supply of corn starch has become available to the Group again since the Harbin production facilities of GBT Group gradually resumed production since the end of 2017.

Following the abovementioned completion of relocation and resumption of production in 2018, the purchase volume of corn starch from the GBT Group has increased to approximately 98,000MT for the eleven months ended 30 November 2018 (the annualised purchase volume for the year ended 31 December 2018 was 106,000MT) from 56,000MT for the year ended 31 December 2017. As the maltodextrin production facilities will be operated for twelve months in 2019 at approximately 90% of their full production capacity, and the Group will continue to purchase corn starch from the Harbin production facilities in 2019, the Board is of the view that an increase in the estimated purchase quantity of corn starch from the GBT Group in 2019 by 6.2% to 113,000MT as compared to the annualised corn starch usage of the Group in 2018 of 106,000MT (based on the actual corn starch usage for the eleven months ended 30 November 2018) is fair and reasonable and in the interest of the Company and the Independent Shareholders.

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## LETTER FROM THE BOARD

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For the two years ending 31 December 2021, the Board expects that the Group's purchase volume of corn starch will increase after the completion of the relocation of the Group's crystallised glucose production facilities to Xinglongshan in the second half of 2020. Upon completion of the relocation and commencement of production in the crystallised glucose production facilities, the Group will also purchase corn starch in slurry form directly through the pipelines between the crystallised glucose production facilities and the members of the GBT Group. It is expected that the purchase volume of corn starch by the Group from the GBT Group will be increased by approximately 53,000MT for each of the two years ending 31 December 2021. Moreover, it is expected that the purchase volume of corn starch by the production facilities of the Group located in Shanghai from the members of the GBT Group will increase by approximately 19,000MT for each of the two years ending 31 December 2021, since following the resumption of production in the upstream corn refinery of the GBT Group in Harbin by the end of 2017, the GBT Group has been able to supply sufficient corn starch with consistent quality to the Group's Shanghai operation.

### *Reasons for the continuing connected transactions*

Jinzhou's downstream production has resumed since the end of 2016 and expects to consume one-fifth of Jinzhou's upstream production capacity of corn starch. In order to maintain the relationship and connection with its corn starch customers, the remaining production capacity of the Group's Jinzhou plant is intended to fulfill the needs of Independent Third Parties customers. As for the Group's production facilities in Shanghai, it is expected that it will utilise approximately 189,000MT of corn starch for the production of 250,000MT of corn sweeteners products for each of the three years ending 31 December 2021. Following the completion of relocation of the crystallised glucose production facilities to Xinglongshan in the second half of 2020 and resumption of its production, it is expected that the Group's production facilities in Changchun will produce 50,000MT and 100,000MT of crystallised glucose for the two years ending 31 December 2021, respectively. To satisfy such estimated production scale, it is expected that the Group will utilise 53,000MT and 106,000MT of corn starch in each of the two years ending 31 December 2021, respectively. As such, the completion of relocation of the crystallised glucose production facilities to Xinglongshan will contribute to the increase in the proposed annual caps. Therefore, to meet the production needs of the Group's production facilities in Changchun and Shanghai, members of the Group may purchase corn starch (either in powder or slurry form) from the GBT Group as one of its principal production materials for the Group's corn sweetener products.

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## LETTER FROM THE BOARD

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The Group had been sourcing corn starch (either in powder or slurry form) from the GBT Group as one of the principal production materials for the Group. The management of the Group considers that the purchase of corn starch (either in powder or slurry form) from the GBT Group under the New Corn Starch and Other Raw Materials Master Purchase Agreement is beneficial to the Group as the GBT Group has a proven track record of quality products and the Group can source reliable supply of production materials with consistent quality of production materials. In addition, in relation to members of the Group and GBT Group in Changchun, owing to the close proximity of the existing production facilities of the Group and the GBT Group in Xinglongshan, Changchun, the supply of corn starch by the GBT Group to the Group in slurry form through a pipeline arrangement could largely save the Group's processing, packaging, dehumidifying, storage, transportation and other related costs.

Furthermore, since the completion of relocation of downstream production plants to Xinglongshan, Changchun, the management of the Group expects that the demand of enzymes will increase. As such, the stable and reliable supply of enzymes is one of the key factors to maintain the operation of the Group's production. The management of the Group considers that the purchase of enzymes from the GBT Group under the New Corn Starch and Other Raw Materials Master Purchase Agreement is beneficial to the Group as the Group can source reliable supply of production materials with consistent quality.

The Board is satisfied that the Group will not cast significant reliance on the material purchases from the GBT Group for the following reasons:

- (1) the Group has maintained a diversified list of suppliers of corn starch and other raw materials and since the Group is not obliged to purchase corn starch and other raw materials from the GBT Group, should the prices offered by the GBT Group to the Group is not as competitive as that being offered by the Independent Third Parties suppliers, or the quality of the products being offered is not as stable, the Group is free to purchase corn starch and other raw materials from Independent Third Parties suppliers at its own discretion;
- (2) 56.4% of the expected total purchased corn starch and other raw materials is only a maximum cap for the purchase of corn starch and other raw materials from the GBT Group for the year ending 31 December 2021. The actual purchase from the GBT Group could be reduced if better prices or terms were offered by the other Independent Third Parties suppliers; and



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## LETTER FROM THE BOARD

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- (3) the CCT Executive Committee will obtain quotation from at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) Independent Third Parties suppliers to ensure that the terms being offered for products of similar specification and quantity are comparable to market rate.

The terms and conditions of the New Corn Starch and Other Raw Materials Master Purchase Agreement were negotiated between the parties to it on an arm's length basis. The Directors are of the view that the terms and conditions of the New Corn Starch and Other Raw Materials Master Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors are also of the view that the proposed annual caps for the continuing connected transactions under the New Corn Starch and Other Raw Materials Master Purchase Agreement for each of the three years ending 31 December 2021 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(b) New Utilities Master Supply Agreement**

*Principal terms of the New Utilities Master Supply Agreement*

Pursuant to the New Utilities Master Supply Agreement, the GBT Group shall procure the supply of electricity, water and steam and the provision of wastewater treatment services to the Changchun Group on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. The fees payable by the Changchun Group shall be settled on a monthly basis and shall be payable by the Changchun Group within 90 days after the date of the relevant invoices issued by the GBT Group or such longer period as the parties may agree.

The New Utilities Master Supply Agreement shall have a term of three years commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and expiring on 31 December 2021, with an option by the Group, but not the GBT Group, to renew the term for three years on the expiry of such term and on the expiry of every successive period of three years thereafter (subject however to the compliance by the Company



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## LETTER FROM THE BOARD

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and GBT of the applicable Listing Rules), unless terminated earlier by three months' written notice by the Group. The GBT Group shall indemnify and hold the Group fully indemnified against any claims, damages, losses, costs and expenses arising out of or in connection with any breach of obligations in the course of providing its services under the New Utilities Master Supply Agreement, including any failure to comply with the applicable national and provincial environmental protection laws and regulations in respect of the discharge of wastewater and other waste by its wastewater treatment facilities, or any failure or disruption in providing its services to the Group other than as a result of any force majeure events such as war, calamity or any other events which are beyond the control of the GBT Group.

### *Proposed annual caps*

The management of the Group expects that the aggregate fees payable by the Changchun Group to the GBT Group for the supply of utilities services by the GBT Group to the Changchun Group for each of the three years ending 31 December 2021 will not exceed HK\$20,000,000, HK\$40,000,000 and HK\$62,000,000, respectively.

The proposed annual cap for each of the three years ending 31 December 2021 was determined by the management of the Group with reference to aggregate amount paid by the Changchun Group to the GBT Group in respect of the provision of utilities services by the GBT Group for the two years ended 31 December 2017 which were approximately HK\$3,539,000 and HK\$7,167,000, respectively, and the year ended 31 December 2018 which amounted to approximately HK\$17,357,000 as projected based on the figures for the eleven months ended 30 November 2018, the relocation of the Group's crystallised glucose production facilities to Xinglongshan, Changchun and the impact of the estimated inflation rate of 3.0% per annum in the PRC.

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## LETTER FROM THE BOARD

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Set out below are details of the amount of utilities services charges paid to the GBT Group during the two years ended 31 December 2017 and the year ended 31 December 2018 (based on the figures for the eleven months ended 30 November 2018):

Relevant years	Total amount of utilities services charges paid by members of the Changchun Group	Total amount of provision of utilities services charges paid to the GBT Group and percentage of total charge		Existing annual caps under the Existing Utilities Master Supply Agreement and percentage of the usage of existing annual cap	
	HK\$'000	HK\$'000	%	HK\$'000	%
	Year ended 31 December 2016	4,339	3,539	81.6	44,600
Year ended 31 December 2017	7,167	7,167	100.0	48,600	14.7
Year ended 31 December 2018	17,357	17,357	100.0	60,500	28.7

Set out below are details of the amount of utilities services charges expected to be paid to the GBT Group by members of the Group for the three years ending 31 December 2021:

Relevant years	Total amount of utilities services charges expected to be paid by members of the Changchun Group	Total amount of utilities services charges expected to be paid to the GBT Group by members of the Changchun Group and percentage of total charge		Total amount of utilities services charges expected to be paid to the Independent Third Parties by members of the Changchun Group and percentage of total charge	
	HK\$'000	HK\$'000	%	HK\$'000	%
	Year ending 31 December 2019	20,000	20,000	100.0	—
Year ending 31 December 2020	40,000	40,000	100.0	—	—
Year ending 31 December 2021	62,000	62,000	100.0	—	—

### ***Reasons for the continuing connected transactions***

The management of the Group considers that it is for the commercial benefit of the Changchun Group to source utilities services from the GBT Group to achieve economies of scale. The management of the Group also considers that it is for the commercial benefit of the Changchun Group to source

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## LETTER FROM THE BOARD

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such utilities services from the GBT Group instead of incurring capital expenditure or additional cost for construction of its own facility or sourcing from Independent Third Parties suppliers, as the price is determined with reference to the actual cost incurred by the GBT Group for its provision of such services, which is on normal commercial terms and on price not higher than that sourced by the Changchun Group from Independent Third Parties. Furthermore, since the GBT Group has been acting as the administrator in dealing with local water suppliers for the supply of water for the Changchun Group, administrative time and costs are saved by the Changchun Group in this respect.

The terms and conditions of the New Utilities Master Supply Agreement were negotiated between the parties to it on an arm's length basis. The Directors are of the view that the terms and conditions of the New Utilities Master Supply Agreement and the transactions contemplated thereunder are fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors are also of the view that the proposed annual monetary cap for the continuing connected transactions under the New Utilities Master Supply Agreement for each of the three years ending 31 December 2021 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(c) Master Sales Agreement**

***Principal terms of the Master Sales Agreement***

Pursuant to the Master Sales Agreement to be entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and GBT (for itself and as trustee for the benefit of other members of the GBT Group), the Company agrees to sell to GBT corn sweeteners. Any member of the GBT Group may from time to time place orders with any member of the GSH Group for the purchase of corn sweeteners for delivery to address designated by the member of the GBT Group who placed the order. None of the members of the GBT Group is obliged to purchase corn sweeteners from the GSH Group and may purchase corn sweeteners from Independent Third Parties. The Master Sales Agreement is for a term of three years commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and expiring on 31 December 2021 unless terminated earlier by three months' written notice by either party.

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## LETTER FROM THE BOARD

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### *Pricing method and procedures*

In order to ascertain the prevailing market prices of corn sweeteners from time to time and to ensure that the terms offered to the GBT Group by the Group are on normal commercial terms, pursuant to the Prescribed Guidelines, the CCT Executive Committee would obtain the then prevailing market prices of corn sweeteners so as to ensure that the selling price and other terms of the contract constituted by the purchase order shall be on normal and usual commercial terms and are no more favourable as those applicable to the supply of the same type and quality of corn sweeteners for comparable quantity by the Group to Independent Third Parties customers.

### *Proposed annual caps*

The management of the Group expects that the Group will sell 5,000MT, 5,000MT and 5,000MT of corn sweeteners to the GBT Group for each of the three years ending 31 December 2021, respectively, and the aggregate sales amount to be received by the Group for the sales of corn sweeteners to the GBT Group for each of the three years ending 31 December 2021 will not exceed HK\$15,000,000, HK\$15,000,000 and HK\$16,000,000, respectively, which will constitute 1.3%, 1.1% and 1.0% of the total corn sweeteners to be sold by the Group for each of the three years ending 31 December 2021, respectively.

The proposed annual cap for each of the three years ending 31 December 2021 was determined by the management of the Group based on the projected production output of the GBT and the impact of the estimated inflation rate of 3.0% per annum in the PRC.

### *Reasons for the continuing connected transactions*

The production processes of enzymes and amino acids require the input of corn sweeteners. Since the production facilities of corn sweeteners of the Group are located in proximity of the production facilities of enzymes and amino acids of the GBT Group, the GBT Group will need the supply of corn sweeteners from the Changchun Group to satisfy its production needs and/or fill the shortfall of their production needs from time to time. The proximity of the production facilities of the Company and GBT will save the Group's processing, packaging, storage, transportation and other related selling expenses. The Changchun Group will also benefit from an additional outlet of its products and relatively stable orders from GBT, without over reliance on the GBT Group.

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## LETTER FROM THE BOARD

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The terms and conditions of the Master Sales Agreement were negotiated between the parties to it on an arm's length basis. The Directors are of the view that the terms and conditions of the Master Sales Agreement and the transactions contemplated thereunder are fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors are also of the view that the proposed annual cap for the continuing connected transactions under the Master Sales Agreement for each of the three years ending 31 December 2021 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(d) Revision of the prescribed guidelines**

In view of the entering into of the New Corn Starch and Other Raw Materials Master Purchase Agreement and the Master Sales Agreement, as recommended by the CCT Supervisory Committee, the Board has revised and approved the Prescribed Guidelines on 8 January 2019 to set out the procedures for the CCT Executive Committee to follow in the determination of the purchase price or as the case may be, the selling price and other major commercial terms in respect of the purchase of other raw materials and the supply of corn sweeteners under the New Corn Starch and Other Raw Materials Master Purchase Agreement and the Master Sales Agreement.

Revisions to the Prescribed Guidelines recommended by the CCT Supervisory Committee include, among others, an update on the list of the New Master Agreements to be entered into between the Group and the GBT Group that give rise to continuing connected transactions. The principal terms of the revised Prescribed Guidelines on the purchase of corn starch and other raw materials are similar to the current Prescribed Guidelines that govern the purchase of corn starch under the Existing Corn Starch Master Purchase Agreement, except for the inclusion of other raw materials into the scope of products that are to be supplied by the GBT Group to the Group under the New Corn Starch and Other Raw Materials Master Purchase Agreement and the additional guidelines for the CCT Executive Committee to follow in order to obtain the market selling prices of the other raw materials. The revised Prescribed Guidelines also include guidelines to be followed by the CCT Executive Committee in carrying out transactions under the Master Sales Agreement where the CCT Executive Committee shall determine the unit price and terms for the sale of corn sweeteners to the GBT Group on the basis of the average unit price of the corn sweeteners sold by the Group to Independent Third Parties customers in the last five business days in the particular calendar month.

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## LETTER FROM THE BOARD

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### 3. INFORMATION OF THE GROUP AND THE GBT GROUP

The Group is principally engaged in the production and sale of corn refined products and corn based sweetener products.

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

### 4. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, GBT is the controlling shareholder of the Company holding approximately 64.04% of the entire issued share capital of the Company. Accordingly, the transactions contemplated under the New Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the annual cap under each of the New Master Agreements for each of the three years ending 31 December 2021 is expected to represent more than 5.0% of one or more of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10,000,000 each, the continuing connected transactions contemplated under each of the New Master Agreements and the annual caps therefore are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 5. DISCLOSURE OF DIRECTORS' INTERESTS

Mr. Zhang Zihua, an executive Director, is also an executive director of GBT. As such, Mr. Zhang Zihua is considered to have material interests in the New Master Agreements and has abstained from voting on the Board resolutions approving the New Master Agreements. Other than Mr. Zhang Zihua, no Director has a material interest in the New Master Agreements.

### 6. RE-ELECTION OF DIRECTORS

Pursuant to article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. By virtue of article 112 of the articles of association of the Company, Mr. Fong Wai Ho and Mr. Wang Wenquan being eligible, will offer themselves for re-election as Directors at the EGM.

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## LETTER FROM THE BOARD

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Biographical information of Mr. Fong Wai Ho and Mr. Wang Wenquan is set out in Appendix II to this circular.

### 7. EGM

The Company will convene the EGM at Jade Room, 6th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 28 February 2019 to consider and, if thought fit, approve the New Master Agreements and the related annual caps and the re-election of Directors. A notice of the EGM is set out on pages 63 to 65 of this circular.

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

GBT and its associates, and any Shareholders who are materially interested in the continuing connected transactions under the New Master Agreements, are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the continuing connected transactions under the New Master Agreements and the related annual caps.

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, GBT and its associates held an aggregate of 978,278,000 Shares, representing approximately 64.04% of the entire issued share capital of the Company as at the Latest Practicable Date.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 10:30 a.m. on Tuesday, 26 February 2019 (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.

### 8. RECOMMENDATION

The Directors consider that the continuing connected transactions under the New Master Agreements and the related annual caps are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions in the terms as set out in the notice of the EGM.

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## LETTER FROM THE BOARD

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### 9. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains its advice to the Independent Shareholders regarding the continuing connected transactions under the New Master Agreements and the related annual caps, the letter from Octal Capital set out on pages 25 to 54 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the continuing connected transactions under the New Master Agreements and the related annual caps and the principal factors and reasons taken into consideration in arriving at its advice, and the additional information set out in the appendix to this circular.

By order of the Board  
**Global Sweeteners Holdings Limited**  
**Zhang Zihua**  
*Acting Chairman*





**GLOBAL SWEETENERS HOLDINGS LIMITED**

**大成糖業控股有限公司 \***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 03889)**

4 February 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:**

**NEW MASTER AGREEMENTS  
FOR CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to its shareholders and dated 4 February 2019 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

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

We have been appointed by the Board to consider the terms of the New Master Agreements and the related annual caps and to advise the Independent Shareholders in connection with the continuing connected transactions as contemplated under each of the New Master Agreements as to whether, in our opinion, the terms of the New Master Agreements and the related annual caps are fair and reasonable and whether such continuing connected transactions are in the interests of the Company and its Shareholders as a whole. Octal Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

\* *for identification purposes only*

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board and the letter from Octal Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Octal Capital as set out in its letter of advice, we consider that the respective terms and conditions of the New Master Agreements and the related annual caps are fair and reasonable. We also consider that the respective continuing connected transactions as contemplated under the New Master Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the continuing connected transactions as contemplated under the New Master Agreements and the related annual caps at the EGM.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Fong Wai Ho      Lo Kwing Yu      Wang Wenquan**

*Independent non-executive Directors*

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## LETTER FROM OCTAL CAPITAL

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

4 February 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Master Agreements and the transactions contemplated thereunder and the relevant proposed annual caps for each of the three years ending 31 December 2021 (the “**Proposed Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the shareholders of the Company dated 4 February 2019 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, the Existing Corn Starch Master Purchase Agreement and the Existing Utilities Master Supply Agreement expired on 31 December 2018. The Group will continue to utilise the electricity, water, steam and wastewater treatment facilities of the GBT Group in Changchun and to purchase corn starch and other raw materials from the GBT Group for the Group’s production. As such, the Company (for itself and as trustee for the benefit of other members of the Group) will enter into the New Corn Starch and Other Raw Materials Master Purchase Agreement and the New Utilities Master Supply Agreement with GBT (for itself and as trustee for the benefit of other members of the GBT Group) on and with effect from the date of approval by the Independent Shareholders at the EGM to 31 December 2021.

On the other hand, the Group’s downstream production in Changchun could supply corn sweeteners to members of GBT for the production of enzymes and amino acids. The Company (for itself and as trustee for the benefit of other members of the Group) will enter into the Master Sales Agreement with GBT (for itself and as trustee for the benefit

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## LETTER FROM OCTAL CAPITAL

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of other members of the GBT Group) for the sale of corn sweeteners by the Group to the GBT Group on and with effect from the date of approval by the Independent Shareholders at the EGM to 31 December 2021.

As at the Latest Practicable Date, GBT is the controlling shareholder of the Company and holding approximately 64.04% of the entire issued share capital of the Company. Therefore, the transactions contemplated under the New Master Agreements constitute continuing connected transactions (the “**Continuing Connected Transactions**”) for the Company under Chapter 14A of the Listing Rules.

Since the Proposed Caps under each of the New Master Agreements for each of the three years ending 31 December 2021 is expected to represent more than 5.0% of one or more of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10,000,000 each, the Continuing Connected Transactions and the Proposed Caps therefore are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In this connection, the Company will seek the Independent Shareholders’ approval for the Continuing Connected Transactions and the Proposed Caps at the EGM, at which resolutions to be proposed at the EGM will be taken by poll. At the EGM, GBT and its associates and all other Shareholders interested in the New Master Agreements are required to abstain from voting on the resolution(s) in relation to the Continuing Connected Transactions and the Proposed Caps. In addition, the Independent Board Committee has been established to advise the Independent Shareholders whether the Continuing Connected Transactions and the Proposed Caps are fair and reasonable, and whether the Continuing Connected Transactions and the Proposed Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. In this regard, we have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the Group, the GBT Group or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged by the Company as an independent financial adviser to the Company (the “**Previous Engagement**”) in respect of a major transaction and connected transaction in relation to disposal of two subsidiaries in Changchun (details of which can be referred to the circular of the Company dated 21 August 2017). Under the Previous Engagement, we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders in respect of the relevant transactions. Apart from normal professional fees

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## LETTER FROM OCTAL CAPITAL

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payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the GBT Group or the directors, chief executive and substantial shareholders of the Company or GBT or any of its subsidiaries or their respective associates.

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 date of the Circular. We have also relied on our discussions with the management of the Company regarding the Group, the Continuing Connected Transactions and the Proposed Caps 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 Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to 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. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the GBT Group and their respective associates nor have we carried out any independent verification of the information supplied.

### THE CONTINUING CONNECTED TRANSACTIONS

#### Principal factors and reasons considered

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders with regard to the New Master Agreements and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

***1. Background of and reasons for entering into the New Master Agreements and the Proposed Caps***

The Group is principally engaged in the production and sale of corn refined products and corn based sweetener products. The GBT Group is principally engaged in the manufacture and sale of corn refined product and corn based biochemical products. Pursuant to the Existing Corn Starch Master Purchase Agreement and the Existing Utilities Master Supply Agreement, the GBT Group had been supplying corn starch

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## LETTER FROM OCTAL CAPITAL

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and utilities services to the Group. Such continuing connected transactions and the relevant annual caps had been approved at an extraordinary general meeting of the Company held on 8 April 2016 by way of poll. The Existing Corn Starch Master Purchase Agreement and the Existing Utilities Master Supply Agreement expired on 31 December 2018.

The Changchun Group referred to the members of the Group which currently have production facilities or will establish their production facilities in Changchun. As at the Latest Practicable Date, the Changchun Group included Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (“**Dihao Crystal**”) and Changchun Dihao Foodstuff Development Co., Ltd (“**Dihao Foodstuff**”) which are wholly-owned subsidiaries of the Company. However, on 31 December 2018, the Company announced the transfer of Dihao Crystal and Dihao Foodstuff from the Group to the GBT Group was extended to 31 March 2019. Since the Company is still in the process to complete the disposal of Dihao Crystal and Dihao Foodstuff, subject to the fulfillment of all the conditions precedents, the Proposed Caps under New Master Agreements are prepared on the assumption that Dihao Foodstuff and Dihao Crystal will remain in the Group during the three years ending 31 December 2021.

It is expected that the Changchun Group will continue to utilise the electricity, water, steam and wastewater treatment facilities of the production facilities of the GBT Group in Changchun (which are adjacent to the production facilities of the Changchun Group). Members of the Group will continue to purchase corn starch (either in powder or slurry form) from the GBT Group as its principal materials for the Group’s production. The Group will also purchase other raw materials, such as enzymes, which are mainly used in the production of corn starch and corn sweeteners, from a subsidiary of GBT.

On the other hand, the GBT Group is engaged in the production of enzymes and amino acids which require the input of corn sweeteners as raw materials. The production facilities of enzymes and amino acids of the GBT Group are in close proximity to the production base of corn sweeteners of the Group in Changchun. The Group’s downstream production in Changchun will supply corn sweeteners to members of GBT for the production of enzymes and amino acids. Such arrangement could save the Group’s costs in relation to processing, packaging, storage and transportation.

Corn is one of the principal materials used for the production of its upstream products (e.g. corn starch and other corn refined products, such as gluten meal, corn oil, corn germ and fibre). Corn starch is further processed to produce downstream corn sweeteners. As advised by the Company, enzymes are used in the production



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## LETTER FROM OCTAL CAPITAL

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The management of the Group considers that the purchase of corn starch (either in powder or slurry form) from the GBT Group under the New Corn Starch and Other Raw Materials Master Purchase Agreement is beneficial to the Group as the GBT Group has a proven track record of quality products and the Group can source reliable supply and consistent quality of production materials and at the same time, owing to the close proximity of the production facilities of the Group and the GBT Group in Xinglongshan, Changchun. The supply of corn starch by the GBT Group to the Group in slurry form through a pipeline arrangement can largely save the Group's costs in relation to processing, packaging, dehumidifying, storage and transportation. Overall speaking, the cost of production of the Group's downstream products can be reduced.

In general, corn starch is sold in powder form as it is lighter and easier to handle during transportation over long distances. However, during corn refined products production, both corn starch powder and corn starch slurry can be used as raw materials but corn starch powder is required to be hydrated before they can be applied in the production process. The Group observed that it would be more cost effective if continuing to purchase certain quantity of corn starch in slurry form from the GBT Group under the existing pipeline transfer system as the pipelines have been connected between the production facilities of the Group and that of the GBT Group. The pipeline transfer system provides an efficient and cost-effective means of sourcing corn starch as compared to purchasing corn starch from the Independent Third Parties externally.

In addition, the management of the Group is of the view that a stable and reliable supply of other raw materials, mainly enzymes, are one of the key factors to maintain the operation of the Group's production. Since the production facilities of enzymes of the GBT Group are located in the same site in Changchun, procuring enzymes from the GBT Group in the same location will minimise logistics costs. Purchasing enzymes from the GBT Group is beneficial to the Group as the GBT Group has been a reliable supplier, who is able to provide consistent quality of raw materials based on the previous cooperation experience.

Based on the above, we consider that the transactions under the New Corn Starch and Other Raw Materials Master Purchase Agreement are conducted in the ordinary and usual course of business of the Group and it is fair and reasonable for the Group to enter into the New Corn Starch and Other Raw Materials Master Purchase Agreement with the GBT Group to secure a stable supply of corn starch and other raw materials from a reliable supplier and meanwhile achieving a saving in production cost.



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## LETTER FROM OCTAL CAPITAL

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- *Reasons for the New Utilities Master Supply Agreement*

The GBT Group has been providing utilities services including electricity, water, steam and wastewater treatment services to the Changchun Group on a recurring basis over 10 years, because the production facilities of the Changchun Group are located within the production site of the GBT Group. Continuing the utilities services can avoid any suspension of production process of the Changchun Group.

The management of the Group considers that it is for the commercial benefit of the Changchun Group to source utilities services from the GBT Group in order to achieve economies of scale by sharing the operating cost of these utility infrastructure. The management of the Group also considers that it is for the commercial benefit of the Changchun Group to source such utilities services from the GBT Group instead of incurring capital expenditure or additional cost for construction of its own facility or sourcing from Independent Third Parties suppliers, as the existing price is determined with reference to the actual cost incurred by the GBT Group for its provision of such services. The unit price charged by the GBT Group is on normal commercial terms and on price not higher than that sourced by the Changchun Group from Independent Third Parties. Furthermore, since the GBT Group has been acting as the administrator in dealing with local water supplier for the supply of water for the Changchun Group, administrative time and costs are saved by the Changchun Group in this respect.

The Changchun Group is located within the production site of the GBT Group at Xinglongshan, Changchun and such production site has equipped with its own power plant and wastewater treatment plant installed by the GBT Group. Water is supplied by independent local water company and the GBT Group purchases water on a centralised basis (for the GBT Group and on behalf of the Changchun Group). Water is used as a solvent during the production process of the Changchun Group such as steeping, cleansing and cooling, it is also used for producing steam. Steam is used as carrier to provide pressure in the pipeline during the production process of the products of the Changchun Group. Electricity is generated by the power plant of the production site using coal and steam is produced as by-product at the same time. The power output of such power plant is sufficient to support the demand for the whole production site of the GBT Group and Changchun Group. In addition, the land of the production site is owned by the GBT Group and there is no vacant land which can be leased to the Group for building its own electricity infrastructure.

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## LETTER FROM OCTAL CAPITAL

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As advised by the Company, it is the industry practice in the PRC that the owner of the production site to construct the wastewater treatment infrastructure and share such service with other entities in the production site and therefore no alternative wastewater treatment services provider is available at the site of the Changchun Group.

Given that (i) the cost of establishing a new wastewater treatment plant and power plant, which are in compliance with the relevant rules and regulations, for the Changchun Group would be substantial; (ii) the subsequent maintenance cost of utility infrastructure will increase the Group's operating cost; and (iii) no vacant land is available for the Group to build its own electricity infrastructure, the Changchun Group has to request the GBT Group to provide such utility services.

Based on the above, we consider that it is fair and reasonable for the Group to enter into the New Utilities Master Supply Agreement with the GBT Group to secure a stable utilities services provider without incurring additional capital expenditure on utility infrastructure.

- *Reasons for the Master Sales Agreement*

We are advised by the management of the Group that the production processes of enzymes and amino acids require the input of corn sweeteners. Since the production facilities of corn sweeteners of the Group are located in proximity to the production facilities of enzymes and amino acids of the GBT Group, the GBT Group is looking for a stable supply of corn sweeteners from the Changchun Group to satisfy its production needs and/or fill the shortfall of their production needs from time to time. The proximity of the production facilities of the Company and GBT will save the Group's costs in relation to processing, packaging, storage and transportation. Entering into the Master Sale Agreement provides an alternative sales channel for the Group for its corn sweeteners without taking up any sales commitments and incurring additional sales and marketing expenses.

Based on the above, we consider that it is in the ordinary and usual course of business of the Group to enter into the Master Sales Agreement with the GBT Group to set up a new sales channel of corn sweeteners and meanwhile achieving a saving in sales and marketing costs.

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## LETTER FROM OCTAL CAPITAL

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Based on the above, we consider it is in the interests of the Company and the Shareholders as a whole for the Group and the GBT Group to enter into the New Master Agreements and carry out the Continuing Connected Transactions to (i) secure stable supply of corn starch and other raw materials (mainly enzymes) with proven quality and lower cost; (ii) secure a stable services provider without incurring additional capital expenditure on utility infrastructure; and (iii) establish a new sales channel of corn sweeteners.

### 2. *The Proposed Caps*

Based on information provided by the Company, we summarise in the following table the historical transaction amount of corn starch and utilities services provided by the GBT Group for the two years ended 31 December 2017 and the eleven months ended 30 November 2018 and the Proposed Caps of the New Master Agreements for the three years ending 31 December 2021:

	For the year ended		For the eleven months ended 30	For the year ending 31 December		
	2016	2017	November 2018	2019	2020	2021
Continuing Connected Transactions	Historical figures ( <i>Approved annual caps</i> )			Proposed Caps		
	<i>(in HK\$ million)</i>					
New Corn Starch and Other	90.3 <sup>Note</sup>	116.0 <sup>Note</sup>	242.2 <sup>Note</sup>	322.0	539.0	768.0
Raw Materials Master Purchase Agreement	(716.1)	(870.7)	(1,038.9)			
New Utilities Master	3.5	7.2	15.9	20.0	40.0	62.0
Supply Agreement	(44.6)	(48.6)	(60.5)			
Master Sales Agreement	N/A	N/A	N/A	15.0	15.0	16.0

*Note:* Under the Existing Corn Starch Master Purchase Agreement, members of the Group purchase corn starch from the members of the GBT Group and the historical figures only refer to the purchase amount of corn starch.

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## LETTER FROM OCTAL CAPITAL

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(a) *New Corn Starch and Other Raw Materials Master Purchase Agreement*

Pursuant to the New Corn Starch and Other Raw Materials Master Purchase Agreement, the Group will purchase corn starch (in the form of powder or starch slurry) and other raw materials, mainly enzymes, from the relevant members of the GBT Group at prices to be determined from time to time by the relevant members of the GBT Group and the Group on arm's length basis and with reference to pricing method and procedures as explained below, and on such other standard terms of sale and purchase from time to time.

Pursuant to the New Corn Starch and Other Raw Materials Master Purchase Agreement, the GBT Group shall be responsible for the delivery of the corn starch and other raw materials to the production plants of the Group or such other locations from time to time designated by the Group, and the purchase price for corn starch and other raw materials shall be inclusive of transportation and packaging. In relation to corn starch slurry, the GBT Group will procure the delivery of corn starch in slurry form to the Group's Changchun production plants by way of starch pipelines. There are meters attached to the pipelines connecting between the production plants of the Changchun Group and the relevant GBT Group members in Changchun to record the amount of corn starch slurry consumed.

Another key raw material for the production of the Group's products are enzymes which are produced by a subsidiary of GBT. This subsidiary is principally engaged in biomass processing, fermentation, research and development of bio-chemical technology equipment, and pilot production, etc. Since this subsidiary of GBT is specialised in the research and development and pilot production of bio-chemical technology, the Group could benefit from the research and development result of the GBT Group to enhance the quality of enzymes. Most importantly, the production plant of enzymes of this subsidiary of GBT is located at the same site as the Changchun Group in Xinglongshan. As such, the supply of enzymes is readily available for the Changchun Group and reduce transportation costs by sourcing the enzymes from the Independent Third Parties suppliers.

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## LETTER FROM OCTAL CAPITAL

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The payment terms for the products will be set out in the purchase order for each order to be placed under the New Corn Starch and Other Raw Materials Master Purchase Agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group or such longer period as the parties may agree. The New Corn Starch and Other Raw Materials Master Purchase Agreement is for a term of three years commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and expiring on 31 December 2021 unless terminated earlier by three months' written notice by either party.

The proposed annual caps for each of the three years ending 31 December 2021 are determined by the management of the Group with reference to (i) the aggregate amount paid by the Group to the GBT Group in respect of the purchase of corn starch from the GBT Group amounted to approximately HK\$90.3 million and HK\$116.0 million for the two years ended 31 December 2017 respectively, and amounted to approximately HK\$264.2 million for the year ended 31 December 2018 as annualised based on the figures for the eleven months ended 30 November 2018; (ii) the estimated demand of corn starch and other raw materials by the Group; (iii) the prevailing market prices of corn starch and other raw materials; (iv) the estimated inflation rate of 3.0% per annum in the PRC; and (v) an expected improvement in cash flow and financial position of the Group.

In relation to the proposed caps of the New Corn Starch and Other Raw Materials Master Purchase Agreement for the three years ending 31 December 2021 of approximately HK\$322.0 million, HK\$539.0 million and HK\$768.0 million respectively, we have obtained from the Company a list of estimated purchase amount of corn starch and enzymes summing roughly up to the proposed caps. We understand from the management of the Group that such list of estimates were prepared on the basis of multiplying the estimated price per MT of the corn starch and enzymes by the estimated quantity to be purchased.

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## LETTER FROM OCTAL CAPITAL

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In particular, the proposed annual caps under the New Corn Starch and Other Raw Materials Master Purchase Agreement can be broken down into the following categories:

	For the year ended 31 December		For the eleven months ended 30 November	For the year ending 31 December		
	2016	2017	2018	2019	2020	2021
	Historical figures			Proposed Caps		
	<i>(in HK\$ million)</i>					
Corn starch	90.3	116.0	242.2 <sup>Note</sup>	318.0	535.0	764.0
Enzymes	—	—	—	4.0	4.0	4.0
Total	<u>90.3</u>	<u>116.0</u>	<u>242.2</u>	<u>322.0</u>	<u>539.0</u>	<u>768.0</u>
Approved annual caps (in HK\$ million)	716.1	870.7	1,038.9			
Usage of the approved annual caps	12.6%	13.3%	23.3%			

*Note:* Based on the actual amount for the eleven months ended 30 November 2018, the annualised purchase amount for the year ended 31 December 2018 is approximately HK\$264.2 million.

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## LETTER FROM OCTAL CAPITAL

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In order to assess the fairness and reasonableness of the estimated price and estimated quantity of corn starch to be purchased used in the list of estimate by the Group, we have performed the following analysis. We have obtained and reviewed the historical usage volume of corn starch by the Group for the two years ended 31 December 2017 and for the eleven months ended 30 November 2018. The following table illustrates the breakdown of historical corn starch usage by the Group for each of the two years ended 31 December 2017 and for the eleven months ended 30 November 2018:

	<b>For the year ended 31 December</b>		<b>For the eleven months ended 30 November</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Historical figures (in MT)</b>			
Sourced from:			
GBT Group	45,000	56,000	98,000
Independent Third Parties	140,000	224,000	185,000
Total	185,000	280,000	283,000 <sup>Note 1</sup>

*Note 1:* Based on the actual purchase quantity for the eleven months ended 30 November 2018, the annualised purchase quantity for the year ended 31 December 2018 is approximately 308,000 MT in which 106,000 MT were purchased from the GBT Group and 202,000 MT were purchased from Independent Third Parties.

As set out in the above table, we note that the historical transaction volume with the GBT Group for the three years ended 31 December 2018 was significantly lower than the approved annual cap for the respective year. As explained by the Company, such difference was mainly due to the delay in the relocation of production facilities from Luyuan District to Xinglongshan and the suspension of downstream production in Jinzhou site. As a result of the ongoing relocation of production facilities, the Group reduced its procurement of corn starch in slurry form through the pipeline network from the GBT Group in Xinglongshan and sourced most of its corn starch from Independent Third Parties suppliers during the two years ended 31 December 2017. The first phase of relocation of the members of the Group from Luyuan District to Xinglongshan was completed in April 2017 and the second phase of the relocation of the maltodextrin production facilities was completed in January 2018. In addition, the upstream corn refinery of the GBT Group in Harbin was

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## LETTER FROM OCTAL CAPITAL

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suspended and gradually resumed its production at the end of 2017, therefore the GBT Group did not have sufficient corn starch to supply to the Group in 2016 and 2017. As the Group's production of downstream products in Xinglongshan and the GBT Group's production of corn starch in Harbin have been gradually resumed in 2018, the purchase volume of corn starch from the GBT Group has been increased to approximately 98,000MT for the eleven months ended 30 November 2018. We understand from the management of the Group that the deviation between historical transaction amounts and the approved annual caps is also attributable to the tight cash flows of the Group and the GBT Group which caused the Group and the GBT Group to operate the production facilities at a low utilisation rate. Having considered the historical procurement of corn starch from the GBT Group, the proposed annual caps of the New Corn Starch and Other Raw Materials Master Purchase Agreements are materially lower than the previous approved annual caps.

The management of the Group expects that the Group will purchase approximately 113,000MT, 185,000MT and 257,000MT of corn starch (either in powder or slurry form) from the GBT Group for each of the three years ending 31 December 2021, which is expected to constitute approximately 32.2%, 45.8% and 56.2% of the total corn starch to be used by the Group for each of the three years ending 31 December 2021, respectively. The table below summarises the Group's estimated purchase quantity of corn starch from the GBT Group.

	<b>For the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>(in MT)</b>		
Changchun Group			
— Dihao Foodstuff	75,000	75,000	75,000
— Dihao Crystal	—	53,000	106,000
Member of the Group located in Shanghai	38,000	57,000	76,000
<b>Total</b>	<b>113,000</b>	<b>185,000</b>	<b>257,000</b>



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## LETTER FROM OCTAL CAPITAL

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Upon comparison, we note that the estimated purchase quantity of corn starch from the GBT Group in 2019 of approximately 113,000MT is approximately 6.2% higher than the annualised corn starch usage of the Group in 2018 (based on the actual corn starch usage for the eleven months ended 30 November 2018). As discussed, since the second phase of the relocation of the maltodextrin production facilities was completed in January 2018, the maltodextrin production facilities will be operated for twelve months in 2019 and will be operated at approximately 90% of their full production capacity for twelve months in 2019 and thus we consider the estimated 6.2% increment in corn starch usage for 2019 is justifiable.

For the years ending 31 December 2020 and 2021, the increase in estimated purchase quantity of corn starch is mainly driven by the completion of relocation of the Dihao Crystal's production facility of crystallised glucose to Xinglongshan in the second half year of 2020. Once the production facility of Dihao Crystal is settled in Xinglongshan, it will also purchase corn starch in slurry form directly through the pipelines connected between Dihao Crystal and the members of the GBT Group. As mentioned before, the supply of corn starch by the GBT Group to the Group in slurry form through a pipeline arrangement can save the Group's production costs especially the processing and transportation cost. According to the information provided by the Group, the Group may save approximately RMB200 per MT if the corn starch is purchased from the GBT Group in slurry form. The management of the Group intended to continue the procurement of corn starch from the GBT Group in slurry form through the pipeline transfer system for the production plants in Xinglongshan. The management of the Group has also taken into account the historical sale performance of the Group's crystallised glucose to forecast the production plan of the crystallised glucose for the two years ending 31 December 2021. The Group's production output of crystallised glucose was approximately 130,000MT, which required approximately 153,000MT of corn starch in 2011, when the production facility was operating normally without suspension. Due to the relocation of production facility, the crystallised glucose production was suspended and prior to such suspension, the Group was able to maintain production output in the level of approximately 60,000MT of crystallised glucose which required approximately 70,000MT of corn starch. As such, the management of the Group expects that the production plant of crystallised glucose will be operating at its 45% and 90% of production capacity (which is designed to be 100,000MT) during 2020 and 2021, respectively based on the expected demand of crystallised glucose. The procurement of corn starch from the GBT Group will be increased by approximately 53,000MT for each of the years ending 31 December 2020 and 2021, respectively.

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## LETTER FROM OCTAL CAPITAL

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Moreover, the production plants of the Group located in Shanghai are planning to increase the procurement of corn starch from the members of the GBT Group by approximately 19,000MT for each of the years ending 31 December 2020 and 2021. Since the resumption of corn starch production of the GBT Group in Harbin, the GBT Group has sufficient corn starch supply and could supply consistent quality of corn starch to the Group's production facilities located in Shanghai. According to the information extracted from China Corn Market Network\* (中國玉米市場網) ([www.jcce.cn](http://www.jcce.cn))<sup>Note</sup>, the historical selling prices of corn starch produced in Changchun were generally lower than those produced in Shanghai during 2013 to 2018. In particular, the average corn starch price in Changchun was approximately 14.6% lower than that in Shanghai in 2018. We have reviewed the historical price of corn starch charged by the GBT Group in the fourth quarter of 2018 and noted that the average corn starch price charged by the GBT Group was approximately 8.6% lower than the average corn starch price in Shanghai for the same period. The Group's operation in Shanghai will purchase corn starch from the GBT Group if the price and terms offered by the GBT Group are better than those offered by Independent Third Parties suppliers.

Furthermore, as stated in the Company's interim report for the six months ended 30 June 2018, the tight cash flow of the Group will largely relieved by (i) attaining profitable operation and positive cash flow in each of productions sites as a result of tightened cost controls over production costs and improvement of operation efficiency; (ii) active negotiation with banks to obtain adequate bank borrowings and explore possibility of debt-equity swap proposal in order to minimise the finance cost and introduce strategic investor(s); and (iii) the financial support of the indirect controlling shareholder of GBT, Jilin Agricultural Investment Group Limited through the supply of corn kernels and provision of a series of financial assistant to the Group which are for the benefit of the Group.

We also looked into the sugar consumption trend in the PRC. As stated in the China Agricultural Outlook (2016-2025) issued by the Market Early Warning Expert Committee of Ministry of Agriculture, the sugar consumption will continue to grow in the PRC due to the increasing population, rapid urbanization and economic growth. It is expected that the sugar consumption will increase from approximately 15.1 million tons in 2015 to 18.4 million tons in 2025, represent a compound annual growth rate of approximately 2.0%.

*Note:* The China Corn Market Network\* is one of the major corn information source and the earliest commodity electronic trading market in the PRC approved by the Jilin Provincial Government. The China Corn Market Network\* is operated by Jilin Corn Center Wholesale Market Co., Ltd.\* (吉林玉米中心批發市場有限公司) who is principally engaged in providing electronic transactions and information on agricultural and livestock products market.

\* For identification purpose only

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## LETTER FROM OCTAL CAPITAL

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Taking into consideration (i) the relocation of the maltodextrin production facilities to Xinglongshan was completed in January 2018; (ii) the relocation of the production plant of crystallised glucose to Xinglongshan to be completed in the second half of 2020; (iii) the utilization of production facilities are expected to reach 90% based on the forecast demand of end-products; (iv) the improvement in the Group's cash flow and financial positions; and (v) the increasing trend of the sugar consumption in the PRC, we are of the view that the estimated quantity of corn starch to be purchased from the GBT Group for the three years ending 31 December 2021 is reasonable.

The management of the Group expects that the Group will purchase approximately 121MT, 122MT and 122MT of enzymes from the GBT Group for each of the three years ending 31 December 2021. As advised by the management of the Group, the estimated purchase quantity of enzymes from the GBT Group is determined with reference to the Group's production capacity and the production plan and all enzymes will be solely sourced from a subsidiary of GBT located in Changchun. The estimated purchase quantity of enzymes are only accounted for around 0.1% of the estimated purchase quantity of corn starch during the three years ending 31 December 2021. The management of the Group are planning to purchase enzymes together with the corn starch from the members GBT Group which are all located inside the same production site in Changchun. Since the purchase volume of enzymes are very small as compared to the purchase volume of corn starch, it is more cost-effective to procure the enzymes and the corn starch from the same location and consolidate under the same shipment for transportation. As discussed above, we are of the view that the estimated quantities of enzymes to be purchased from the GBT Group for the three years ending 31 December 2021 are reasonable.

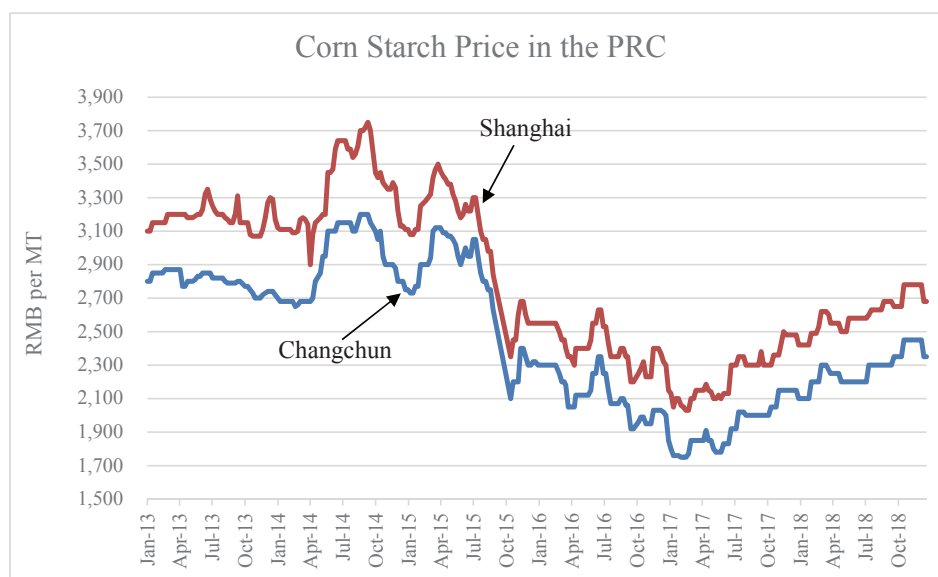
For the estimated purchase price per MT of the corn starch, we have reviewed the projection made by the Company in arriving the proposed caps and noted that the Company has assumed the selling price of corn starch and other raw materials in 2019 to be roughly the same as the price level offered by Independent Third Parties suppliers in 2018.

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## LETTER FROM OCTAL CAPITAL

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The following table sets forth the corn starch prices in the PRC for the period of 2013 to 2018:



Source: 中國玉米市場網

As set out in the chart above, corn starch price has been fluctuating in Changchun and Shanghai during the period from 2013 to mid-2015. Starting from June 2015, the corn starch price has significantly dropped and reached the lowest price of approximately RMB1,750 per MT in Changchun and approximately RMB2,030 per MT in Shanghai in the first quarter of 2017. Afterwards, the corn starch prices gradually picked up. The corn starch price in Changchun increased to RMB2,350 per MT and that in Shanghai increased to RMB2,680 per MT in December 2018. During the years between 2013 and 2018, the corn starch price is always trading at a higher price level in Shanghai than those in Changchun because the production cost are always higher in first tier city.

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## LETTER FROM OCTAL CAPITAL

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Based on information provided by the Company, we noted that the estimated purchase price of corn starch per MT by the Group for the three years ending 31 December 2021 is approximately HK\$2,805, HK\$2,889 and HK\$2,976 (equivalent to approximately RMB2,272, RMB2,340 and RMB2,411) respectively, which are determined with reference to the historical corn starch price incurred by the Group in 2018. We have sample-checked the actual price of corn starch charged by the Independent Third Parties supplier in the fourth quarter of 2018 and such price is comparable to the base price used to derive the estimated purchase price of corn starch in 2019. Moreover, we also compared that the average purchase price of corn starch charged by Independent Third Parties suppliers are approximately RMB2,176 per MT during 2018, which is slightly lower than the estimated purchase price of 2019 by approximately 4.4%. Furthermore, the estimated unit price of 2019 is slightly lower than the unit price of December 2018 in Changchun by approximately 3.4%. Based on our analysis, we are of the view that the estimated unit price of corn starch are comparable to the recent market prices and the historical average purchase price incurred by the Group and therefore such price estimation is prepared on a reasonable basis.

The Group will purchase two kinds of enzymes, glucoamylase and amylase from the GBT Group. The estimated purchase price of glucoamylase for the three years ending 31 December 2021 is approximately HK\$27,404, HK\$28,226 and HK\$29,073 per MT respectively. The estimated purchase price of amylase for the three years ending 31 December 2021 is approximately HK\$38,915, HK\$40,082 and HK\$41,285 per MT respectively. We have reviewed the purchase price of glucoamylase and amylase by the Group from Independent Third Parties suppliers incurred in the last quarter of 2018 on a sample basis and noted that the estimated purchase price of glucoamylase and amylase are comparable to the prevailing price charged by Independent Third Parties suppliers. We are of the view that the estimated unit price of enzymes are reasonably estimated.

The management of the Group has taken into consideration of an estimated inflation rate of 3.0% in the PRC in arriving the proposed caps. We noted from the research report issued by the Organization for Economic Co-operation and Development that the inflation rates in the PRC are ranged between 1.4% and 5.4% from 2011 to 2017 and the inflation rate in November 2018 is 2.2%. With reference to the historical inflation rate in the PRC, the annual growth rate of unit price of approximately 3.0% is reasonably estimated.

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## LETTER FROM OCTAL CAPITAL

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As advised by the Company, in order to ascertain the prevailing market rates of corn starch in the form of powder or starch slurry and other raw materials from time to time and to ensure that the terms offered by the GBT Group to the Group are on normal commercial terms, the Company would take the following procedures pursuant to the Prescribed Guidelines:

- (1) the CCT Executive Committee will obtain quotation from at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) Independent Third Parties supplier(s) and compare it with the terms offered by the GBT Group for the supply of corn starch and other raw materials of comparable specifications and quantities to its Independent Third Parties customers;
- (2) the total purchase price and terms for the purchase of corn starch in the form of corn starch slurry shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its Independent Third Parties customers, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its Independent Third Parties customers for the relevant month up to the price determination date; and (ii) the quotations from Independent Third Parties supplier(s) for the purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such Independent Third Parties supplier(s) for the relevant month up to the price determination date;
- (3) the total purchase price and terms for the purchase of corn starch in the form of corn starch powder shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its Independent Third Parties customers for the relevant month up to the price determination date; and (ii) the quotations from Independent Third Parties supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such Independent Third Parties supplier(s) for the relevant month up to the price determination date; and

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## LETTER FROM OCTAL CAPITAL

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- (4) the total purchase price and terms for the purchase of other raw materials shall be determined by using the lower of (i) (if available) the average unit purchase price of other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) from such Independent Third Parties supplier(s) for the relevant month up to the price determination date; and (ii) the quotations from Independent Third Parties supplier(s) for purchase of the other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase the products from such Independent Third Parties supplier(s) for the relevant month up to the price determination date.

We have reviewed the quarterly reports of continuing connected transactions prepared by CCT Executive Committee and noted that the auditor has performed quarterly review on the continuing connected transactions with satisfactory result and the CCT Supervisory Committee has reviewed and agreed with the findings of the said quarterly reports. In light of the above, we are of the view that the Company has internal control procedures in place to monitor the operation of continuing connected transactions.

Based on the above basis, we consider that the respective terms and conditions of the New Corn Starch and Other Raw Materials Master Purchase Agreement and the related annual caps are fair and reasonable.

As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group's five largest suppliers accounted for approximately 16.4% of the total purchases and the largest supplier of the Group accounted for approximately 4.7% of the total purchases during the year ended 31 December 2017. As advised by the Company, the purchase from the GBT Group accounted for approximately 3.6%, 9.4% and 11.5% of the total purchase of the Group during the year ended 31 December 2017, the six months ended 30 June 2018 and the eleven months ended 30 November 2018, respectively. The GBT Group was the third largest supplier of the Group for the year ended 31 December 2017 and was the second largest supplier of the Group for the six months ended 30 June 2018 and the eleven months ended 30 November 2018. In view of the historical transaction amount, the Group has no significant reliance on a single supplier. The management of the Group advised that there are over thousands of corn starch suppliers in Jilin and Shanghai Provinces who supply corn starch and other raw materials and the Group have not encountered any difficulties in sourcing these materials from the market. The Group always maintain a list of qualified suppliers in which the Group could purchase corn starch and other raw materials from these qualified suppliers at any time.



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## LETTER FROM OCTAL CAPITAL

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The New Corn Starch and Other Raw Materials Master Purchase Agreement is a non-exclusive purchase agreement and the Group is free to purchase corn starch and other raw materials from Independent Third Parties suppliers. The Group will purchase corn starch and other raw materials from the GBT Group only if the price and terms offered by the GBT Group are favourable to the Company as compared to Independent Third Parties suppliers. The management of the Group advised that the Group will maintain its business relationship with its existing suppliers and will continue to explore any potential qualified suppliers.

Having considered the above measures, we concur with the Board that the Group will not cast significant reliance on the GBT Group.

*(b) New Utilities Master Supply Agreement*

Pursuant to the New Utilities Master Supply Agreement, the GBT Group shall procure the supply of electricity, water and steam and the provision of wastewater treatment services to the Changchun Group on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. The fees payable by the Changchun Group shall be settled on a monthly basis and shall be payable by the Changchun Group within 90 days after the date of the relevant invoice issued by the GBT Group or such longer period as the parties may agree.

The New Utilities Master Supply Agreement shall have a term of three years commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and expiring on 31 December 2021, with an option by the Group, but not the GBT Group, to renew the term for three years on the expiry of such term and on the expiry of every successive period of three years thereafter (subject however to the compliance by the Company and GBT of the applicable Listing Rules), unless terminated earlier by three months' written notice by the Group. The GBT Group shall indemnify and hold the Group fully indemnified against any claims, damages, losses, costs and expenses arising out of or in connection with any breach of obligations in the course of providing its services under the New Utilities Master Supply Agreement, including any failure to comply with the applicable national and provincial environmental protection laws and regulations in respect of the discharge of wastewater and other waste by its wastewater treatment facilities, or any failure or disruption in providing its services to the Group other than as a result of any force majeure events such as war, calamity or any other events which are beyond the control of the GBT Group.



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## LETTER FROM OCTAL CAPITAL

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The proposed annual caps pursuant to the New Utilities Master Supply Agreement were determined by the management of the Group with reference to (i) aggregate amount paid by the Changchun Group to the GBT Group in respect of the provision of utilities services by the GBT Group amounted to approximately HK\$3.6 million and HK\$7.2 million for the two years ended 31 December 2017 respectively, and amounted to approximately HK\$17.4 million for the year ended 31 December 2018 which is annualised based on the actual amount for the eleven months ended 30 November 2018; (ii) the gradual resumption of the production of the Changchun Group; and (iii) the estimated inflation rate of 3.0% per annum in the PRC.

In particular, we were advised by the Company that the historical transaction amount of utilities services provided by the GBT Group and the relevant proposed caps under the New Utilities Master Supply Agreement can be further broken down into the following categories:

	For the year ended		For the eleven months ended 30	For the year ending 31 December		
	2016	2017	November 2018	2019	2020	2021
	Historical figures			Proposed Caps		
	<i>(in HK\$ million)</i>					
Supply of electricity	1.1	3.5	5.5	8.5	19.0	30.5
Supply of steam	1.4	1.8	7.4	8.0	15.0	22.5
Supply of water	0.7	0.6	0.5	0.5	1.0	1.5
Supply of wastewater treatment services	0.3	1.3	2.5	3.0	5.0	7.5
<b>Total</b>	3.5	7.2	15.9	20.0	40.0	62.0
<b>Approved annual caps</b> (in HK million)	44.6	48.6	60.5			

We noted that the fees paid by the Changchun Group to the GBT Group in respect of the provision of utilities services by the GBT Group for the two years ended 31 December 2017 and for the eleven months ended 30 November 2018 was approximately HK\$3.5 million, HK\$7.2 million and

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## LETTER FROM OCTAL CAPITAL

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HK\$15.9 million, respectively. The fees have shown an increasing trend in the usage of utilities from the GBT Group by the Group. We are advised by the Company that such increase was mainly due to the completion of the relocation of certain production facilities to Xinglongshan as discussed before. Given that the level of the usage of electricity, steam, water and wastewater treatment services is directly proportional to the level of production, taking into consideration of the gradual resumption of production of the Changchun Group and the relocation of the production facility of crystallised glucose to Xinglongshan are expected to be completed around the second half year of 2020, the usage of utilities services is therefore maintained an increasing trend during the three years ending 31 December 2021.

As advised by the Company, the Changchun Group situates inside the production site of the GBT Group and this site is owned and managed by the GBT Group. It is commercially beneficial for the Group to obtain these services from the GBT Group on a recurring basis. Water is obtained by the GBT Group on a centralised basis and there are individual meters measuring the respective usage of the GBT Group and the Changchun Group. Water is charged by the GBT Group on cost basis with reference to the monthly cost of obtaining water from the independent local water company and accordingly, the rate has been in line with the market rate.

Electricity used by the Changchun Group is provided by the power plant owned by the GBT Group. The land of the production site in Changchun is owned by the GBT Group and no vacant land is available for the Group to build its own power plant. Therefore, the Changchun Group is only able to procure electricity from the GBT Group and there is no alternative electricity supplier available in the Changchun production site. As further advised by the Company, steam is not feasible to transfer in long distance and steam is a by-product in the electricity generation. Electricity and steam should be procured from the same supplier at the same time. Electricity and steam are charged on cost basis with reference to the monthly cost incurred by the GBT Group for generating electricity for the Group. Since there are separate meters installed in the premises of the Changchun Group for measuring the consumption of electricity and steam and the Group can clearly record the usage and check against the bills from the GBT Group, we consider such measure is adequate to ensure the electricity and steam are charged in accordance to the policy governing the transactions under New Utilities Master Supply Agreement.

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## LETTER FROM OCTAL CAPITAL

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Regarding the wastewater treatment, it is the industry practice in the PRC that the owner of the production site to construct the wastewater treatment infrastructure and share such service to the users in the production site and therefore no alternative wastewater treatment services provider in Xinglongshan. Moreover, it is costly for the Changchun Group to build its own wastewater treatment infrastructure. In view of the special circumstances stated above, we were confirmed by the Company that there were no comparable transactions in respect of the provision of wastewater treatment services from Independent Third Parties. As further advised by the Company, the pricing of the services were determined with reference to actual costs incurred by the GBT Group and the GBT Group will continue to follow the same pricing mechanism during 2019 to 2021. The price of wastewater treatment is determined with reference to the actual cost incurred by the GBT Group for its provision of such services. The GBT Group will provide the relevant ledgers, invoices and cost calculation worksheet to the Group for verifying and agreeing the relevant basis of calculation in order to ensure no irrelevant costs were included.

In relation to the proposed caps under the New Utilities Master Supply Agreement for the three years ending 31 December 2021 of approximately HK\$20.0 million, HK\$40.0 million and HK\$62.0 million respectively, we have obtained from the management of the Group a list of estimated services summing up roughly to the proposed caps. We understand from the management of the Group that such list of estimates were prepared on the basis of multiplying the estimated price per unit of the individual service by the estimated quantity of the corresponding services. The estimated quantity of the corresponding services was arrived at after taking into account the historical usage of the relevant utilities and the future demand of the utilities as derived from the expected production plan. Meanwhile, we note that the estimated price per unit of the utilities adopted in the list of estimate was primarily based on the recent transactions with the GBT Group. Coupled with our above analysis on the fairness and reasonableness of the price inflation rate of New Corn Starch and Other Raw Materials Master Purchase Agreement, we are of the view that the annual growth rate of unit price of 3.0% is reasonably estimated.

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## LETTER FROM OCTAL CAPITAL

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The level of the historical usage and expected usage of electricity, steam and wastewater treatment services are directly proportional to the level of production. We were advised by the Company that the production scale was lower in 2016 due to the delay for the relocation of production facilities of Changchun Group and the production of the Changchun Group has been gradually resumed during 2017 and 2018 as certain relocation of the production facilities have been completed. Coupled with our above analysis on the fairness and reasonableness of the proposed caps of New Corn Starch and Other Raw Materials Master Purchase Agreement, we are of the view that the increment in the usage of electricity, water, steam and wastewater treatment services is in line with the increment of production capacity of the Changchun Group and such estimation is acceptable.

Based on the above analysis, we consider that the respective terms and conditions of the New Utilities Master Supply Agreement and the related annual caps are fair and reasonable.

(c) *Master Sales Agreement*

Pursuant to the Master Sales Agreement to be entered into between the Company (for itself and as trustee for the benefit of other members of the Group) and GBT (for itself and as trustee for the benefit of other members of the GBT Group), the Group agrees to sell corn sweeteners to the GBT Group. The Master Sales Agreement is for a term of three years commencing on and with effect from the date of approval by the Independent Shareholders at the EGM and expiring on 31 December 2021 unless terminated earlier by three months' written notice by either party. Any member of the GBT Group may from time to time place orders with any member of the Group for the purchase of corn sweeteners for delivery to address designated by the member of the GBT Group. The Master Sales Agreement is a non-exclusive sales agreement. None of the members of the Group is obliged to sell corn sweeteners to the GBT Group and the Group has no restriction to sell corn sweeteners to Independent Third Parties customers.

The proposed annual caps for each of the three years ending 31 December 2021 are determined by the management of the Group based on (i) the projected production and purchasing plan provided by the GBT Group; (ii) the estimated unit price of corn sweeteners; and (iii) the estimated inflation rate of 3.0% per annum in the PRC.

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## LETTER FROM OCTAL CAPITAL

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The proposed caps under the Master Sales Agreement for the three years ending 31 December 2021 of approximately HK\$15.0 million, HK\$15.0 million and HK\$16.0 million, respectively. We have obtained from the Company a list of estimated sales of corn sweeteners summing roughly up to the proposed caps. We understand from the management of the Group that such list of estimates were prepared on the basis of multiplying the estimated price per MT of corn sweeteners by the estimated quantity to be sold to the GBT Group. We also understand from the management of the Group that the corn sweeteners to be sold to the GBT Group under the Master Sales Agreement include, among others, maltose and glucose.

As regards the estimated quantity of corn sweeteners to be sold to the GBT Group, we note that the estimated quantity is based on the production plan provided by the GBT Group for the three years ending 31 December 2021, which was approximately 4,923MT for each of the three years ending 31 December 2021. We noted that the production plan provided by the GBT Group reflected the production capacity of a subsidiary of GBT Group whose main product is enzymes and the estimated quantity to be purchased by the GBT Group is not more than 1.3% of the of the total corn sweeteners to be produced by the Group for each of the three years ending 31 December 2021. As governed by the Master Sales Agreement, the corn sweeteners will be sold to the GBT Group only if the terms of transactions are favorable to the Group and the Group has no obligation to supply corn sweeteners to the GBT Group.

Having reviewed and considered the production plan provided by the GBT Group, we concur with the management of the Group that the estimated quantity of corn sweeteners to be sold during the three years ending 31 December 2021 is justifiable and reasonable.

For the estimated selling price per MT of the corn sweeteners in 2019, it is calculated based on (i) the average selling price for the eleven months ended 30 November 2018 charged to the Independent Third Parties customers and (ii) annual inflation rate of 3.0%. For the estimated se selling price per MT of the corn sweeteners in 2020 and 2021, it is increased by 3.0% annually. We have reviewed the historical selling price of corn sweeteners by the Group to Independent Third Parties customers in 2018 and noted that the estimated selling price of corn sweeteners is based the average selling price. Coupled with our above analysis on the fairness and reasonableness of the price inflation rate of New Corn Starch and Other Raw Materials Master Purchase Agreement, we agree that the annual growth rate of unit price of 3.0% is

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## LETTER FROM OCTAL CAPITAL

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reasonably estimated. Based on the above analysis, we are of the view that the respective terms and conditions of the Master Sales Agreement and the related annual caps are fair and reasonable.

As advised by the Company, in order to ascertain the prevailing market rates of corn sweeteners from time to time and to ensure that the terms offered to the GBT Group by the Group are on normal commercial terms, the Company would follow the procedures set out in the Prescribed Guidelines. The CCT Executive Committee would obtain the then prevailing market prices of corn sweeteners so as to ensure that the selling price and other terms of the contract shall be on normal and usual commercial terms and are favourable to the Group as compared with other Independent Third Parties customers.

We are of the view that such pricing mechanism is fair and reasonable and adequate to ensure the transactions under the Master Sales Agreement are carried out on normal commercial terms.

Taking into consideration of the above basis, we consider that the respective terms and conditions of the New Master Agreements and the Proposed Caps were fair and reasonable, and the respective continuing connected transactions as contemplated under the New Master Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Shareholders and the Company as a whole.

### **3. *The conditions***

Since the annual caps under each of the New Master Agreements for each of the three years ending 31 December 2021 are expected to represent more than 5.0% of one or more of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10,000,000 each, the Continuing Connected Transactions and the Proposed Caps therefore are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM OCTAL CAPITAL

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Taking into account the measures taken/to be taken by the Group in relation to the Continuing Connected Transactions, in particular (i) the restriction by way of setting the Proposed Caps; (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Continuing Connected Transactions); (iii) the mechanism of the Company in determining the relevant transaction price and whether the Continuing Connected Transactions are on normal commercial terms and no less favourable to the Company; and (iv) the quarterly review by the CCT Supervisory Committee comprising mainly independent non-executive Directors on the terms and the relevant internal guidelines governing the continuing connected transactions of the Group, we consider that the Company has taken appropriate and adequate measures to govern the Group in carrying out the Continuing Connected Transactions, thereby safeguarding the interests of the Shareholders thereunder.

### RECOMMENDATION

Having considered the above principal factors, in particular, the following:

- (i) the Continuing Connected Transactions will (a) secure stable supply of corn starch and other raw materials at a proven quality and lower cost; (b) secure a stable utilities service provider without incurring additional capital expenditure on utilities infrastructure; and (c) establish a new sales channel of corn sweeteners;
- (ii) the mechanism and measures taken/to be taken by the Group in ensuring the Continuing Connected Transactions are on normal commercial terms;
- (iii) the restriction by way of setting of the Proposed Caps; and
- (iv) the quarterly review by the CCT Supervisory Committee comprising mainly independent non-executive Directors on the terms of and relevant internal guidelines governing the Continuing Connected Transactions,

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## LETTER FROM OCTAL CAPITAL

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we are of the opinion that the terms of the Continuing Connected Transactions under the New Master Agreements and the Proposed Caps are fair and reasonable. We are also of the opinion that the respective continuing connected transactions as contemplated under the New Master Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Continuing Connected Transactions under the New Master Agreements and the Proposed Caps.

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**

**Alan Fung**  
*Managing Director*

**Louis Chan**  
*Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 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 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.



**1. RESPONSIBILITY STATEMENT**

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

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

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

None of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Zhang Zihua, an executive Director, was also an executive director of GBT. As such, Mr. Zhang Zihua is considered to have material interests in the New Master Agreements and has abstained from voting on the Board resolutions approving the New Master Agreements. Other than Mr. Zhang Zihua, no Director has a material interest in the New Master Agreements.

Save as the aforesaid, none of the Directors was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group as at the Latest Practicable Date.

## 3. SUBSTANTIAL SHAREHOLDERS

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

<b>Name of Shareholders</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares held (Note 1)</b>	<b>Percentage of the Company's issued share capital (Note 2)</b>
Global Corn Bio-chem Technology Company Limited (“ <b>Global Corn Bio-chem</b> ”)	Beneficial owner	977,778,000 (L)	64.01
GBT	Interest of a controlled corporation (Note 3)	977,778,000 (L)	64.01
	Beneficial owner	500,000 (L)	0.03
Modern Agricultural Industry Investment Limited (Note 4)	Interest of a controlled corporation	978,278,000 (L)	64.04
Modern Agricultural Industry Investment Holdings Limited (Note 4)	Interest of a controlled corporation	978,278,000 (L)	64.04

Name of Shareholders	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital (Note 2)
Jilin Province Modern Agricultural Industry Investment Fund (LLP) (“ <b>PRC LLP</b> ”) (Note 4)	Interest of a controlled corporation	978,278,000 (L)	64.04
Jilin Province Modern Agricultural Industry Fund Limited (“ <b>GP</b> ”) (Note 4)	Interest of a controlled corporation	978,278,000 (L)	64.04
Jilin Province Communication Investment Group Co., Limited (“ <b>Jiaotou</b> ”)	Interest of a controlled corporation	978,278,000 (L)	64.04
Jilin Agricultural Investment Group Co., Limited (“ <b>Nongtou</b> ”) (Note 4)	Interest of a controlled corporation	978,278,000 (L)	64.04
SASAC of Jilin Province (Note 4)	Interest of a controlled corporation	978,278,000 (L)	64.04

## Notes:

1. The letter “L” denotes the Shareholders’ long position in the Shares of the Company and/or the relevant associated corporations.
2. On the basis of 1,527,586,000 Shares in issue as at the Latest Practicable Date.
3. These Shares are registered in the name of Global Corn Bio-chem, which is a wholly owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the Shares in which Global Corn Bio-chem is interested according to the SFO. Mr. Zhang Zihua, an executive Director, is the executive director of GBT.

4. These Shares comprise 977,778,000 Shares registered in the name of Global Corn Bio-chem and 500,000 Shares in the name of GBT, whose issued share capital is owned as to approximately 49.0% by Modern Agricultural Industry Investment Limited. The entire issued capital of Modern Agricultural Industry Investment Limited is held by Modern Agricultural Industry Investment Holdings Limited which is in turn wholly owned by PRC LLP. The sole general partner of PRC LLP is GP, which is wholly owned by Nongtou. As at the Latest Practicable Date, 20% of the investment capital of PRC LLP is owned by Nongtou and the transfer of a further 40% of the investment capital of PRC LLP to Nongtou from a company controlled by Jiaotou is pending for completion. As announced by the Company on 2 March 2017, during the transition period before the completion, such 40% of the investment capital of PRC LLP shall be managed by Nongtou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of the Company. Nongtou is controlled by SASAC of Jilin Province. Each of Modern Agricultural Industry Investment Limited, Modern Agricultural Industry Investment Holdings Limited, PRC LLP, GP, Jiaotou, Nongtou and SASAC of Jilin Province are deemed to be interested in the interest held by GBT.

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

#### 4. SERVICE AGREEMENTS

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

#### 5. MATERIAL ADVERSE CHANGE

Save as disclosed in the joint announcement of GBT and the Company dated 21 September 2018 that a wholly owned subsidiary of the Company was in breach of a loan agreement with outstanding principal amount of RMB29.2 million which may trigger cross defaults in other loan agreements entered into by the Group with aggregate outstanding principal amount of approximately RMB454.8 million which circumstances remained unchanged 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 2017, being the date to which the latest published audited financial statements of the Group were made up.

**6. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and his associates had interests in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group which would otherwise be required to be disclosed under the Listing Rules.

**7. QUALIFICATION AND CONSENT OF EXPERT**

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

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

Octal Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Octal Capital was not beneficially interested in any share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and did not have any direct or indirect interest in any assets which since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or lease, or was proposed to be acquired or disposed of by, or leased to any member of the Group.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Existing Corn Starch Master Purchase Agreement, the Existing Utilities Master Supply Agreement and each of the New Master Agreements will be available for inspection at Suites 2202-4, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong during normal business hours from 4 February 2019 up to and including the date of the EGM.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KYI-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suites 2202-4, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary is Ms. Hui Ka Man. Ms. Hui is a member of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over its Chinese text.

*The following sets out the biographical information of the Directors eligible for re-election at the EGM:*

#### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

##### **Mr. Fong Wai Ho**

Mr. Fong, aged 38, obtained a bachelor's degree in business administration (honours) in accountancy and management information systems from the City University of Hong Kong in November 2004. Mr. Fong has over 14 years of experience in the field of auditing and business consulting. Mr. Fong worked at Mazars CPA Limited with his last position there as audit manager and served clients ranging from small and medium enterprises ("SMEs") to listed companies. Mr. Fong is the founder and practitioner of UBC & Co., Certified Public Accountants from March 2013 to present. Mr. Fong has also been the practising director of Andes Glacier CPA Limited since March 2017. Mr. Fong has served a wide range of clients from SMEs to international companies operating in different industries such as retail, manufacturing, trading, distribution, gold mining, property investment and financial services. Mr. Fong obtained his qualification from Hong Kong Institute of Certified Public Accountants in 2010 and has become a practising Certified Public Accountant in Hong Kong since 2013, a member of the Association of Chartered Certified Accountants since 2015, a fellow of the Hong Kong Institute of Certified Public Accountants since 2017 and a member of the Chartered Professional Accountants of British Columbia and Chartered Professional Accountants of Canada, respectively, since 2018.

As at the Latest Practicable Date, Mr. Fong did not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the SFO.

Mr. Fong is currently an independent non-executive director of Perennial Energy Holdings Limited (stock code: 02798), the shares of which are listed on the main board of Stock Exchange. Save as disclosed above, during the three years immediately before his appointment, Mr. Fong had not held any directorship in other listed public companies in Hong Kong or overseas or any other major appointments and qualifications. Mr. Fong is not related to any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Fong has entered into an appointment letter with the Company for an initial term of two years commencing from 31 December 2018, which shall be renewable automatically for successive terms of one year unless terminated by not less than three months' written notice served by either party at any time during the then existing term. Under the appointment letter, Mr. Fong shall be paid an annual director's fee of HK\$240,000. The director's fee was determined by the Board with reference to his duties, responsibilities, performance and results of the Group.

Save as disclosed above, the Board is not aware of any other matters in relation to the appointment of Mr. Fong as an independent non-executive Director that needs to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the Rule 13.51(2) of the Listing Rules.

**Mr. Wang Wenquan**

Mr. Wang, aged 39, obtained a bachelor's degree in law and a master's degree in civil and commercial law from Nankai University in the PRC in July 2003 and July 2006, respectively. Mr. Wang was qualified as a lawyer in the PRC in October 2008. From August 2006 to November 2013, Mr. Wang worked at Jun Ze Jun Law Offices, a PRC law firm, as a lawyer in the investment banking department. Since November 2013, Mr. Wang has been a partner at the Beijing headquarter of Dentons, a global law firm, focusing his practice on initial public offerings, secondary fundraising by listed companies, mergers and acquisitions, private equity investment funds and debt financing in the PRC. Mr. Wang obtained his licenses as a securities practitioner and as a fund practitioner in the PRC in December 2006 and April 2017, respectively.

As at the Latest Practicable Date, Mr. Wang did not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the SFO.

During the three years immediately before his appointment, Mr. Wang had not held any directorship in other listed public companies in Hong Kong or overseas or any other major appointments and qualifications. Mr. Wang is not related to any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Wang has entered into an appointment letter with the Company for an initial term of two years commencing from 31 December 2018, which shall be renewable automatically for successive terms of one year unless terminated by not less than three months' written notice served by either party at any time during the then existing term. Under the appointment letter, Mr. Wang shall be paid an annual director's fee of RMB120,000. The director's fee was determined by the Board with reference to his duties, responsibilities, performance and results of the Group.

Save as disclosed above, the Board is not aware of any other matters in relation to the appointment of Mr. Wang as an independent non-executive Director that needs to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the Rule 13.51(2) of the Listing Rules.



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## NOTICE OF EGM

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# GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 \*

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 03889)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“EGM”) of Global Sweeteners Holdings Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Jade Room, 6th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 28 February 2019 to consider, if though fit, passing the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **“THAT** the master purchase agreement (“**New Corn Starch and Other Raw Materials Master Purchase Agreement**”) in relation to the purchase of corn starch and other raw materials by the Group from Global Bio-chem Technology Group Company Limited (“**GBT**”) and its subsidiaries (the “**GBT Group**”) to be entered into between the Company and GBT (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), the transactions contemplated thereby and the expected annual cap of HK\$322,000,000, HK\$539,000,000 and HK\$768,000,000 for each of the three years ending 31 December 2021, respectively, in respect of the transactions contemplated under the New Corn Starch and Other Raw Materials Master Purchase Agreement be and is hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the New Corn Starch and Other Raw Materials Master Purchase Agreement or the transactions contemplated thereby.”
2. **“THAT** the master agreement in relation to the supply of electricity, water and steam and provision of wastewater treatment services by the GBT Group to the Group (“**New Utilities Master Supply Agreement**”) to be entered into between the

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## NOTICE OF EGM

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Company and GBT (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification), the transactions contemplated thereby and the expected annual cap of HK\$20,000,000, HK\$40,000,000 and HK\$62,000,000 for each of the three years ending 31 December 2021, respectively, in respect of the transactions contemplated under the New Utilities Master Supply Agreement be and are hereby approved and that the directors of the Company be and is hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the New Utilities Master Supply Agreement or the transactions contemplated thereby.”

3. “**THAT** the master agreement in relation to the sales of corn sweeteners by the Group to the GBT Group (“**Master Sales Agreement**”) to be entered into between the Company and GBT (a copy of which has been produced to the meeting marked “C” and signed by the chairman of the meeting for the purpose of identification), the transactions contemplated thereby and the expected annual cap of HK\$15,000,000, HK\$15,000,000 and HK\$16,000,000 for each of the three years ending 31 December 2021, respectively, in respect of the transactions contemplated under the Master Sales Agreement be and is hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the Master Sales Agreement or the transactions contemplated thereby.”
4. “**THAT** Mr. Fong Wai Ho be and is hereby re-elected as independent non-executive director of the Company.”
5. “**THAT** Mr. Wang Wenquan be and is hereby re-elected as independent non-executive director of the Company.”

By order of the Board of  
**Global Sweeteners Holdings Limited**  
**Zhang Zihua**  
*Acting Chairman*

Hong Kong, 4 February 2019

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## NOTICE OF EGM

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*Registered office:*

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

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

Suites 2202-4  
22nd Floor  
Tower 6, The Gateway  
9 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time of the meeting (i.e. at or before 10:30 a.m. on Tuesday, 26 February 2019 (Hong Kong time)) or any adjournment thereof.
3. The register of members of the Company will be closed from Monday, 25 February 2019 to Thursday, 28 February 2019, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the attendance at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch registrars in Hong Kong at the address stated in note 2 above no later than 4:30 p.m. on Friday, 22 February 2019 for registration.

*As at the date of this notice, the Board comprises one executive director, namely Mr. Zhang Zihua; and three independent non-executive directors, namely, Mr. Fong Wai Ho, Mr. Lo Kwing Yu and Mr. Wang Wenquan.*