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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)**

**MAJOR TRANSACTION AND CONNECTED TRANSACTION IN  
RELATION TO DISPOSAL  
OF TWO SUBSIDIARIES IN CHANGCHUN  
AND  
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 13 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 14 to 15 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 16 to 29 of this circular.

A notice convening the EGM to be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Monday, 11 September 2017 is set out on pages 49 to 50 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 Saturday, 9 September 2017 (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.

21 August 2017

\* *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:*

“Access Partner”	Access Partner Consultancy & Appraisals Limited, an independent property valuer
“Announcement”	the announcement made by GBT and the Company dated 21 July 2017 in relation to, among others, the Transaction
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks in Hong Kong are open for business
“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 (stock code: 03889)
“Completion”	completion of the S&P Agreement in accordance with its terms
“Dihao Crystal Sugar”	長春帝豪結晶糖開發實業有限公司(Changchun Dihao Crystal Sugar Industry Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Dihao Foodstuff”	長春帝豪食品發展有限公司(Changchun Dihao Foodstuff Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Monday, 11 September 2017, the notice of which is set out on pages 49 to 50 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approve the Transaction
“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 (stock code: 00809) and the controlling shareholder of the Company
“GBT Group”	GBT and its subsidiaries which, for the purpose of this circular, excludes the Group
“Global Corn Bio-chem”	Global Corn Bio-chem Technology Company Limited, a company incorporated in the British Virgin Islands which is a wholly owned subsidiary of GBT
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising the independent non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Transaction
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, the independent financial adviser appointed by the Board and approved by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Transaction
“Independent Shareholders”	Shareholder(s) other than GBT and its associates, and all other Shareholders interested in the Transaction

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## DEFINITIONS

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“Latest Practicable Date”	16 August 2017, being the latest practicable date prior for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling 180 days after the date of the S&P Agreement, or such later date as the Vendors and the Purchaser may agree
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, The Macau Special Administrative Region and Taiwan
“Purchaser”	Global Corn Chemical Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of GBT
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the agreement in relation to the Transaction dated 21 July 2017 entered into between the Vendors and the Purchaser
“Sale Interest”	the entire equity interest in the Target Companies
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier Loan”	indebtedness due and owing by Changchun Dajincang Corn Procurement Co., Ltd. to Bank of China Weifeng International Branch with maximum guaranteed amount of RMB2.5 billion

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## DEFINITIONS

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“Target Companies”	Dihao Crystal Sugar and Dihao Foodstuff
“Target Properties”	the land and properties owned by the Target Companies in Luyuan District in Changchun City, Jilin Province, the PRC
“Transaction”	the acquisition by the Purchaser and the disposal by the Vendors of the Sale Interest pursuant to the S&P Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	Global Sweeteners (China) Limited, Global Starch (Changchun) Investments Limited and Global Sorbitol (H.K.) Company Limited, all being wholly owned subsidiaries of the Company
“%”	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 Directors:*

Mr. Kong Zhanpeng  
Mr. Zhang Zihua

*Independent non-executive Directors:*

Mr. Ho Lic Ki  
Mr. Lo Kwing Yu  
Mr. Yuen Tsz Chun

*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:*

Unit 1104  
Admiralty Centre  
Tower I  
18 Harcourt Road  
Hong Kong

21 August 2017

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
IN RELATION TO DISPOSAL OF TWO SUBSIDIARIES  
IN CHANGCHUN**

**1. INTRODUCTION**

Reference is made to the Announcement in relation to the proposed Transaction.

The purpose of this circular is to provide you with information regarding the resolution to be proposed at the EGM to approve the Transaction.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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### 2. S&P AGREEMENT

Set out below are the principal terms of the S&P Agreement:

Date: 21 July 2017

#### **Parties:**

Vendors: Global Sweeteners (China) Limited  
Global Starch (Changchun) Investments Limited  
Global Sorbitol (H.K.) Company Limited

Purchaser: Global Corn Chemical Investments Limited

#### **Assets involved**

Pursuant to the S&P Agreement, the Purchaser has conditionally agreed to purchase the Sale Interest.

#### **Conditions**

Completion is conditional upon fulfillment of the following conditions:

- (1) the approval by the Independent Shareholders being obtained in respect of the S&P Agreement and the transactions contemplated thereby;
- (2) the relevant members of the Group having obtained the release of all guarantees and/or charges given by the relevant members of the Group in respect of the indebtedness of the Target Companies;
- (3) all consents and approvals having been obtained by the Purchaser and the Target Companies in relation to the S&P Agreement, the transfer of the Sale Interest and the adoption of the new articles for the Target Companies and that such consent and approvals do not contain any condition or restriction which is not acceptable to the Purchaser;
- (4) the Purchaser having received a PRC legal opinion in respect of the Target Companies, in form and substance reasonably satisfactory to the Purchaser;



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## LETTER FROM THE BOARD

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- (5) the warranties given by the Vendors under the S&P Agreement being true and accurate in all material respects; and
- (6) the Purchaser having satisfied with the results of its due diligence review of the Target Companies.

The Purchaser may (but not obliged to) waive and/or vary any of the conditions (4), (5) and (6) as stated above. All other conditions as set out above may not be waived or varied by any of the parties to the S&P Agreement. If any of the conditions set out above is not fulfilled or, as the case may be, waived or varied by the Purchaser on or before the Long Stop Date, then (without prejudice to any other remedies available to the other party) the obligations of the parties shall cease and terminate and neither party shall have any claim under the S&P Agreement against the other save in respect of any antecedent breaches.

### **Consideration**

The consideration for the Sale Interest is HK\$60,971,000 which shall be payable by the Purchaser at Completion.

The consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the net asset value of the Target Companies as at 31 December 2016 which amounted to approximately HK\$25,193,000; and the fair value of the Target Properties based on a valuation report prepared by Access Partner on the basis of current use (i.e. industrial), as at 31 May 2017, amounted to about RMB310,000,000.

Please refer to the valuation report prepared by Access Partner as set out in Appendix I to this circular for further information about the valuation of the Target Properties, the valuation methodologies and assumptions involved.

### **Undertaking by Global Sweeteners (China) Limited and Global Starch (Changchun) Investments Limited**

Under the S&P Agreement, Global Sweeteners (China) Limited and Global Starch (Changchun) Investments Limited have jointly and severally undertaken to the Purchaser that, subject to Completion, they shall fully indemnify the Purchaser and Dihao Foodstuff for all liabilities and reasonable cost which may arise as a result of the guarantee provided by Dihao Foodstuff in favour of China Construction Bank in respect of the indebtedness of Jinzhou Yuancheng Bio-chem Technology Co., Ltd., which is a member of the Group.

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## LETTER FROM THE BOARD

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### Completion

Completion shall take place on the tenth Business Day after the fulfillment or, as the case may be, waiver of the abovementioned conditions or such other date as agreed in writing among the parties to the S&P Agreement.

Upon Completion, the Target Companies will become indirect wholly owned subsidiaries of GBT and cease to be the subsidiaries of the Company.

After Completion, as both the GBT Group (through the Target Companies) and the Group will engage in the production and sales of maltodextrin, crystallised glucose, glucose and maltose, as one of the completion obligations of the Vendors, the Vendors shall deliver a waiver to be executed by the Company to GBT and Global Corn Bio-chem to the non-compete undertakings given by GBT and Global Corn Bio-chem dated 3 September 2007 (as supplemented by a waiver executed by the Company to GBT and Global Corn Bio-chem dated 24 September 2008) (“**Non-compete Undertaking**”), pursuant to which the GBT Group may engage in the production and sales of the above products up to the planned production capacity of the Target Companies upon completion of relocation to the new production facilities at Xinglongshan.

### 3. REASONS FOR AND BENEFITS OF THE TRANSACTION

The purpose of the Transaction is to restructure and rationalise the corporate structure of GBT Group and the Group.

From management perspective, the Target Companies are both situated in Changchun, the PRC where the major production facilities of GBT Group are situated while all other production facilities of the Group are situated elsewhere in the PRC. As such, the Transaction would enable the Target Companies to be managed under the ambit of GBT Group with other members of GBT Group in Changchun, which could enhance the cost and operational efficiency, create potential synergies and reduce the connected transactions between GBT Group and the Group.

The Target Companies have been loss-making since 2014, due to the concentration of low-end users in the sweeteners market in Northeast China, economic slowdown in China in the past years and the protectionist agricultural policy in favour of corn farmers. As such, the Group has suspended/ optimised operation of the Target Companies since March 2014. The continued operation of the Target Companies in Luyuan District will continue to exert pressure to the Group’s cash flow. Although the Target Companies can take the opportunity of relocating their production

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## LETTER FROM THE BOARD

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facilities to the Xinglongshan site to restructure the product mix and capacity to better suit local market needs, the relocation plan is expected to incur around HK\$203 million of capital expenditure, in addition to working capital of around HK\$255 million upon the resumption of operation. This will pose further pressure on the financial position of the Group. As such, the Group will be financially burdened to maintain the Target Companies, no matter whether they are in operation or to be relocated. The Transaction will enable the Company to direct its resources to high value-added markets, while GBT could operate with higher flexibility with a feedstock in place to better supply its downstream production.

The Target Companies and certain members of GBT Group are owners of certain land and buildings in Luyuan District in Changchun. As announced by GBT and the Company on 14 April 2016 and 2 March 2017, such land and buildings are intended to be disposed of. Notwithstanding the production site in Luyuan District is planned for rezoning to non-industrial use, the current land use right held by the Target Companies is still under the category of industrial land use. It is uncertain whether and when the rezoning of the land would take place, if at all. As the part of land owned by the Target Companies accounts for approximately one-fifth of the total site area in Luyuan District, it would be more efficient for GBT to be in charge of the negotiation, valuation of land and execution of the land transfer as quicker decision-making process and less administrative hurdles are expected if only one party is involved. Since it is uncertain as to the timetable of the completion of the disposal of land, it could linger for a much longer time than expected for both the Company and GBT to reach a final decision on the disposal. The Transaction could help expedite the process of negotiation with potential buyer as well as process of completion as such transaction would be handled by the management of the GBT Group without involving management of the Group. At the same time, the Company could concentrate its effort in the operation in other operation sites.

In addition, as announced by GBT and the Company on 8 August 2016, Dihao Foodstuff is one of the guarantors to the Supplier Loan. As the other guarantors for the Supplier Loan are all members of the GBT Group but not the Group, the Transaction could relieve the Group from the potential liability from such guarantee but without adding additional financial burden to the GBT Group.

Based on the above reasons, the Directors consider that the Transaction is fair and reasonable and in the interest of the Company and its shareholders as a whole.

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## LETTER FROM THE BOARD

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#### 4. FINANCIAL EFFECTS OF THE DISPOSAL BY THE GROUP

Based on the aggregate net book value of the Target Companies of approximately HK\$25,193,000 as of 31 December 2016, and the consideration for the Sale Interest of HK\$60,971,000, it is expected that the unaudited gain before taxation accrued to the Group as a result of the Transaction would be approximately HK\$35,778,000.

Following the Completion, the Target Companies will cease to be the subsidiaries of the Company and the financial results of the Target Companies will cease to be consolidated into those of the Company.

Based on the audited financial statements of the Group as at 31 December 2016, it is estimated that immediately after Completion, the non-current assets, current assets, current liabilities and non-current liabilities of the Group will decrease to approximately HK\$540 million, HK\$455 million, HK\$944 million and HK\$3 million respectively. The net assets of the Group will increase to approximately HK\$48 million.

#### 5. USE OF PROCEEDS FROM THE TRANSACTION

The Group intends to use the sale proceeds from the Transaction for the repayment of bank borrowings of the Group and amount due to certain members of the GBT Group.

#### 6. INFORMATION OF THE TARGET COMPANIES

##### **Dihao Crystal Sugar**

Dihao Crystal Sugar is situated in Changchun City, Jilin Province, the PRC and is a wholly foreign owned enterprise established on 15 May 2006 under the laws of the PRC with a registered and paid-up capital of US\$22,200,000. The principal business of Dihao Crystal Sugar is manufacture and sale of crystallised glucose. As the production facilities of Dihao Crystal Sugar is pending to be relocated to Xinglongshan, its production has been suspended since March 2014.

##### **Dihao Foodstuff**

Dihao Foodstuff is situated in Changchun City, Jilin Province, the PRC and is a wholly foreign owned enterprise established on 10 May 1999 under the laws of the PRC with a registered capital of RMB325,100,000 and of which approximately RMB192,000,000 has been paid up. The principal business of Dihao Foodstuff is manufacture and sale of corn starch, other corn refined products and corn based sweetener products.

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## LETTER FROM THE BOARD

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Due to the lackluster performance of the upstream business of the Group, the production facilities of Dihao Foodstuff for production of corn starch and other corn refined products have been suspended since April 2014. The downstream production facilities of Dihao Foodstuff is in the course of relocation to Xinglongshan. In April 2017, the production facilities of Dihao Foodstuff in Xinglongshan for the production of maltose has commenced trial run. It is expected that the relocation of other production facilities of Dihao Foodstuff to Xinglongshan will be completed in the second quarter of 2018.

### Financial Information of Dihao Crystal Sugar and Dihao Foodstuff

Set out below are certain financial information of Dihao Crystal Sugar and Dihao Foodstuff:

	<b>Net asset (liabilities) value as of 31 December 2016 HK\$'000</b>	<b>Net profit (loss) before tax for the year ended 31 December 2016 2015 HK\$'000</b>		<b>Net profit (loss) after tax for the year ended 31 December 2016 2015 HK\$'000</b>	
Dihao Crystal Sugar	354,854	2,044	(6,486)	5,836	(6,486)
Dihao Foodstuff	(329,661)	(233,194)	(191,449)	(185,546)	(191,449)

### 7. BACKGROUND INFORMATION OF GBT GROUP AND THE GROUP

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

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

### 8. IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 25% but less than 75%, the Transaction constitutes a major transaction in relation to disposal of the Company under Rule 14.06 of the Listing Rules. Besides, as the Purchaser is wholly owned by GBT (a controlling shareholder of the Company) and hence is an associate of GBT,

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## LETTER FROM THE BOARD

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the Transaction also constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

### 9. DISCLOSURE OF DIRECTORS' INTERESTS

Mr. Kong Zhanpeng, an executive Director, is interested in the issued share capital of GBT, and is the chief executive officer of GBT. In addition, Mr. Zhang Zihua, an executive Director, is also an executive director of GBT. As such, both Mr. Kong and Mr. Zhang are considered to have material interests in the Transaction and have abstained from voting on the Board resolutions approving the Transaction. Other than Mr. Kong Zhanpeng and Mr. Zhang Zihua, no Director has a material interest in the Transaction.

### 10. EGM

The Company will convene the EGM at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Monday, 11 September 2017 to consider and, if thought fit, approve the Transaction. A notice of the EGM is set out on pages 49 to 50 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, Global Corn Bio-chem, and any other shareholders of the Company having a material interest in the Transaction and their respective associates, are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Transaction.

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.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:30 a.m. on Saturday, 9 September 2017 (Hong Kong time)) or any adjourned meeting 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 meeting thereof.

### 11. RECOMMENDATION

The Directors consider that the terms of the S&P Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolution in the terms as set out in the notice of the EGM.

### 12. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 14 to 15 of this circular which contains its advice to the Independent Shareholders regarding the Transaction, the letter from Octal Capital set out in pages 16 to 29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Transaction 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**  
**Kong Zhanpeng**  
*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)**

21 August 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
IN RELATION TO DISPOSAL OF TWO SUBSIDIARIES  
IN CHANGCHUN**

We refer to the circular issued by the Company to its shareholders and dated 21 August 2017 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Transaction constitutes a major transaction in relation to disposal of the Company under Rule 14.06 of the Listing Rules. Besides, as the Purchaser is wholly-owned by GBT (a controlling shareholder of the Company) and hence is an associate of GBT, the Transaction also constitutes a connected transaction 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 S&P Agreement and to advise the Independent Shareholders in connection with the Transaction as to whether, in our opinion, the terms of the S&P Agreement are fair and reasonable and whether the Transaction is 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.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board 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 S&P Agreement are fair and reasonable. We also consider that the Transaction is on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Transaction as contemplated under the S&P Agreement at the EGM.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Ho Lic Ki**

**Lo Kwing Yu**

**Yuen Tsz Chun**

*Independent non-executive Directors*

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## LETTER FROM OCTAL CAPITAL

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*The following is the text of letter from Octal Capital Limited, the independent financial advisor, prepared for the purpose of incorporation in this circular:*



**Octal Capital Limited**  
802-805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

21 August 2017

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF TWO SUBSIDIARIES IN CHANGCHUN**

#### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction and terms of the S&P Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 21 August 2017 (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.

On 21 July 2017, the Vendors entered into the S&P Agreement with the Purchaser, being a wholly owned subsidiary of GBT, for the sale and purchase of the Sale Interest at a consideration of HK\$60,971,000 which shall be payable by the Purchaser at Completion.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 25% but less than 75%, the Transaction constitutes a major transaction in relation to disposal of the Company under Rule 14.06 of the Listing Rules. Besides, as the Purchaser is wholly-owned by GBT (a controlling shareholder of the Company) and hence is an associate of GBT, the Transaction also constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules. GBT, Global Corn Bio-chem, and any other shareholders of the Company having a material interest in the Transaction and their respective associates are therefore required to

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## LETTER FROM OCTAL CAPITAL

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abstain from voting on the resolution proposed to be passed at the EGM for approving the Transaction.

We are not connected with the Directors, chief executive and substantial Shareholders of the Company or the Purchaser or GBT or any of their respective subsidiaries or 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 as the independent financial adviser to the Company (the “**Previous Engagement**”) in respect of the continuing connected transaction in relation to the entering into of corn starch purchase and utilities supply master agreement (details of which are set out in the circular of the Company dated 21 March 2016). Under the Previous Engagement, we were required to express our opinion on and give recommendation to the independent committee of the Board comprising all the independent non-executive Directors and independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial Shareholders of the Company or the Purchaser or GBT or any of their respective subsidiaries or 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 Latest Practicable Date. We have also relied on our discussion with the executive Directors and management of the Company regarding the Group and the S&P Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the executive Directors and management of 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 executive Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Purchaser and their respective associates nor have we carried out any independent verification of the information supplied.

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## LETTER FROM OCTAL CAPITAL

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### THE TRANSACTION

In arriving at our opinion regarding the terms of the S&P Agreement and the Transaction, we have considered the following principal factors and reasons:

#### 1. Principal activities and business of the Group

The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The table below sets out the financial highlights of the Group for the year ended 31 December 2015 and 2016:

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	995,218	1,648,981
Gross profit	104,258	80,286
Loss for the year	(162,358)	(753,767)

As stated in the annual report of the Company for the year ended 31 December 2016, the Group's revenue decreased from approximately HK\$1,649.0 million for the year ended 31 December 2015 to HK\$995.2 million for the year ended 31 December 2016 mainly due to (i) optimisation of operation of upstream products; (ii) suspension of the Group's upstream operation in Changchun for most of the time in 2016; and (iii) decrease in the average selling price of the products sold by the Group in the market.

To improve the Group's financial performance, the Group has implemented stringent cost control in every aspect of operations and endeavored to increase the overall operation efficiency in 2016. In contrast to the operation in Changchun, the Shanghai production base maintained healthy profitability and provided stable cash inflows for the Group for the year ended 31 December 2016. The flavoured syrups launched targeting at restaurants and retail outlets have also received favourable response from the market and achieved satisfactory sales performance. Notwithstanding the decrease in the Group's revenue for the year ended 31 December 2016, the Group recorded increase in gross profit of approximately HK\$24.0 million and the loss has decreased substantially from HK\$753.8 million for the year ended 31 December 2015 to HK\$162.4 million for the year ended 31 December 2016.

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## LETTER FROM OCTAL CAPITAL

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### 2. The business and financial information of the Target Companies

The Target Companies are Dihao Crystal Sugar and Dihao Foodstuff, both are wholly owned subsidiary of the Company. As set out in the Letter from the Board, Dihao Crystal Sugar is situated in Changchun City, Jilin Province, the PRC and is a wholly foreign owned enterprise established on 15 May 2006 under the laws of the PRC with a registered and paid-up capital of US\$22,200,000. As advised by the Company, Dihao Crystal Sugar sources raw materials (principally corn kernels and corn starch) to manufacture and sale of crystallised glucose. As the production facilities of Dihao Crystal Sugar is pending to be relocated to Xinglongshan, its production has been suspended since March 2014. Meanwhile, Dihao Foodstuff is situated in Changchun City, Jilin Province, the PRC and is a wholly foreign owned enterprise established on 10 May 1999 under the laws of the PRC with a registered capital of RMB325,100,000 and of which approximately RMB192,000,000 has been paid up. Dihao Foodstuff sources raw materials (principally corn kernels) to manufacture and sale of corn starch, other corn refined products and corn based sweetener products. The key customers of Dihao Foodstuff include companies principally engaged in production and sales of food and beverage and feed in the PRC. Due to the poor performance of the upstream business of the Group, the production facilities of Dihao Foodstuff for production of corn starch and other corn refined products have been suspended since April 2014. The downstream production facilities of Dihao Foodstuff is in the course of relocating to Xinglongshan. In April 2017, the production facilities of Dihao Foodstuff in Xinglongshan for production of maltose has commenced its trial production. It is expected that the relocation of other production facilities of Dihao Foodstuff to Xinglongshan will be completed in the second quarter of 2018.

The table below summarises the financial information of Target Companies for the years ended 31 December 2015 and 2016:

	For the year ended 31 December	
	2016	2015
	(audited)	(audited)
	HK\$'000	HK\$'000
Revenue	35,283	2,872
Gross loss	(5,460)	(707)
Loss after taxation	(179,710)	(197,935)

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## LETTER FROM OCTAL CAPITAL

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	As at 31 December	
	2016	2015
	(audited)	(audited)
	HK\$'000	HK\$'000
Non-current assets	385,139	116,166
Current assets	645,978	1,022,954
Current liabilities	775,584	862,460
Non-current liabilities	230,340	60,901
Net assets	25,193	215,759

As advised by the Company, each of Dihao Foodstuff and Dihao Crystal Sugar has ceased its production since April 2014 and March 2014 respectively. No revenue has been generated from Dihao Crystal Sugar for the two years ended 31 December 2016. Starting from the last quarter of 2015, Dihao Foodstuff has resumed part of its manufacturing and sale activities in downstream production mainly in maltose. However, the overall production activities of the Target Companies have remained low throughout 2016. Due to the full year effect of resumption of production, the revenue of the Target Companies increased from approximately HK\$2.9 million for the year ended 31 December 2015 to approximately HK\$35.3 million for the year ended 31 December 2016. On the other hand, the loss after tax of the Target Companies remained high for the two years ended 31 December 2016 and it was mainly attributable to impairment loss of the uncollectable other receivable from Changchun Dajincang Corn Procurement Co. Ltd. (“**Dajincang**”) resulting from stock return of certain corn kernels in 2014.

As at 31 December 2015, the non-current assets mainly represented other receivables from Dajincang, the current assets mainly represented the assets held for sale and the intercompany balances, while the current liabilities mainly represented intercompany balances and interest-bearing bank borrowings. As at 31 December 2016, non-current assets mainly represented the Target Properties, the current assets and current liabilities mainly represented the intercompany balances and the non-current liabilities mainly represented the interest-bearing bank borrowings.

### 3. Reasons for the Transaction and benefits to the Group

As set out in the Letter from the Board, the purpose of the Transaction is to restructure and rationalise the corporate structure of the GBT Group and the Group. The Target Companies are both situated in Changchun, the PRC where the major production facilities of the GBT Group are situated while all other production facilities of the Group are situated elsewhere in the PRC. As such, the Transaction

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## LETTER FROM OCTAL CAPITAL

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would enable the Target Companies to be managed under the ambit of the GBT Group with other members of the Group in Changchun, which could enhance the cost and operational efficiency and reduce the connected transactions between the GBT Group and the Group. The Target Companies and certain members of the GBT Group are owners of certain land and buildings in Luyuan District in Changchun. As announced by GBT and the Company on 14 April 2016 and 2 March 2017, such land and buildings are intended to be disposed of. The Transaction could help expedite the process of negotiation with potential buyer as well as process of completion as such transaction would be handled by the management of the GBT Group without involving management of the Group. In addition, as announced by GBT and the Company on 8 August 2016, Dihao Foodstuff is one of the guarantors to the Supplier Loan. As the other guarantors for the Supplier Loan are all members of the GBT Group but not the Group, the Transaction could relieve the Group from the potential liability from such guarantee but without adding additional financial burden to the GBT Group.

We note from the announcements of the Company dated 7 January 2014, 31 March 2014 and 31 March 2015 that the Company planned to relocate the production facilities to a new site in Xinglongshan in Changchun in 2014 in response to the request by the local government in Changchun. As advised by the Company, the reason for such request was due to the fact that the Group's current production facilities in Luyuan District is now a developed and central district of Changchun. Taking into account of the market conditions and the net loss of approximately HK\$224.8 million incurred in the Target Companies for the year ended 31 December 2013, the Company has decided to halt the upstream production in the Target Companies starting from March 2014 pending the relocation to the Xinglongshan.

As further advised by the Company, the market condition in Changchun has not improved since 2014 and, therefore, the Company decided to completely cease the production in Dihao Foodstuff in April 2014 and the production in Dihao Crystal Sugar in March 2014 respectively. Although Dihao Foodstuff has resumed part of its manufacturing and sale activities in downstream production, primarily for the production of maltose starting from the last quarter of 2015, the Target Companies together still incurred a total net loss of approximately HK\$197.9 million for the year ended 31 December 2015 and HK\$179.7 million for the year ended 31 December 2016.

As stated in the report published by CME Group in December 2016 with title of "U.S., China Corn Markets Converge Amid Surplus", the Chinese government has begun a stock-piling program in 2009 to guarantee the supply of key commodities including but not limited to corn. In 2016, China had an estimated stockpile of 103

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## LETTER FROM OCTAL CAPITAL

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million metric tonnes of corn, an annual domestic production of about 218 million metric tonnes, and consumption of 226 million metric tonnes. Although the Chinese government has announced that it was ceasing its stockpiling program in April 2016, the Chinese surplus of corn was still unmanageable.

As highlighted in “Agricultural Supply-side Structural Reform and Acceleration of the Development in Agricultural Industry and Agricultural Village” published by the State Council of the People’s Republic of China in February 2017, there is over-supply of corn and the inventory of corn has been staying at high level. To solve the issues, the PRC government continues to promote the corn price to be determined by the market, provides direct subsidy to farmers and encourages diversified manufacturer to purchase corn and further process corn to meet various market demands. However, as stated in the annual report of the Company for the year ended 31 December 2016, the market consolidation has not completely tossed away the excess capacity in the upstream corn refinery industry. Since excess supply still exists, more time is expected for market recovery. As such, it is not likely to see solid improvements in the prices of upstream products in the short term.

In light of the stockpile issue of the raw material (corn), we are of the view that the growth potential of the Target Companies in the near future is limited and the Target Companies may not be able to generate profit in short term in the upstream product segment.

As disclosed in the annual report of the Company for the year ended 31 December 2016, the production of the Group’s sweetener products is mainly carried out in the Shanghai production base. The Shanghai production base has been gradually developed into the Group’s multifunctional platform in recent years. The Group’s major functions such as sales and marketing activities, customer relationship management as well as research and development activities have been integrated in the Shanghai production base which forms the cornerstone of the Group’s sustainable development. Benefited from the continuous effort in optimising operation and raising production efficiency, the Shanghai production base maintained healthy profitability and provided stable cash inflows for the Group during the year. As advised by the Company, the Company will continue to consolidate its resources towards the development of the Shanghai production base, leveraging on the synergistic effect with the Jinzhou production base for the supply of raw materials/sweeteners products to serve the respective Huadong market as well as exploring oversea market opportunity after the Transaction.



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## LETTER FROM OCTAL CAPITAL

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As advised by the Company, its production facilities in Luyuan District which is owned by the Target Companies will be relocated to the new production site in Xinglongshan. It is also an opportunity for the Target Companies to restructure its product mix and capacity to better suit current market needs. However, the relocation of production facilities in Luyuan District to Xinglongshan is expected to incur HK\$203 million of capital expenditure, plus working capital of HK\$255 million upon the resumption of operation at the new site. Such relocation plan is expected to exert pressure on the Group's financial position. On the other hand, according to the relocation plan, Dihao Foodstuff plans to relocate its facilities on a piece of land owned by subsidiaries of GBT. It will depend on the resources of GBT if Dihao Foodstuff resume production at the new site. Therefore, the Transaction will not only mitigate this problem, but also allow the Group to concentrate efforts in its operations in Jinzhou and Shanghai.

We are of the view that the Transaction can allow the Group to (i) be more responsive to the change of the market and specific local conditions in high value added markets; (ii) allocate more resources to serve the customers in high value added regions where the Directors believe to be more lucrative; and (iii) benefit from the increase in the production efficiency and cost management in the integrated platforms in Shanghai and Jinzhou.

On the other hand, as advised by the Company, Dihao Foodstuff and an indirectly wholly owned subsidiary of GBT have entered into agreements to provide financial guarantees to Dajincang since 2010. The principal business of Dajincang is reselling corn kernel purchased from local farmers in Jilin province to end users in the north-east provinces of the PRC, including the Group and the GBT Group. Under such business model, Dajincang utilises large cash resources and/or drawdown significant loan facilities to buy corn kernels for resale regularly. The Group was one of the Dajincang's major customers and the purchases were made on credit in general. In response to requests by Dajincang to shorten credit periods in 2010, Dihao Foodstuff's management, who was expecting to incur additional financing costs if the credit periods were so shortened, sought to minimise such costs by offering Dajincang the financial guarantees (the "**Previous Supplier Guarantees**") to the Dajincang's bank loans (the "**Previous Supplier Loans**") for the use of purchasing corn kernels.

The term of the Previous Supplier Loans expired between August to November 2016. Based on the Dajincang's indication and the financial information of the Dajincang available to the Group, Dajincang might not have sufficient financial resources to repay the Previous Supplier Loans upon the respective maturity dates. Under the

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## LETTER FROM OCTAL CAPITAL

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Previous Supplier Guarantees, the respective banks shall have the right to demand the relevant guarantors including Dihao Foodstuff to repay the Previous Supplier Loans if Dajincang is in default. To avoid immediate demand for full repayment of the Previous Supplier Loans by guarantors (including Dihao Foodstuff) pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loans by entering into the supplier loan (the “**New Supplier Loan**”) with the respective bank. As a condition to the New Supplier Loan, the respective creditor has requested each of the guarantors including Dihao Foodstuff to enter into the new guarantees (the “**New Supplier Guarantees**”) to severally guarantee the obligations of Dajincang under the New Supplier Loan. As at 31 December 2016, the New Supplier Guarantees amounted to RMB2.5 billion.

Nevertheless, in compliance with the Company’s accounting policies and for the purpose of preparing for the Company’s consolidated financial statements, the Company had tried to engage a professional valuer to assess the fair value of the Previous Supplier Guarantees and the New Supplier Guarantees. However, given the limited financial information of Dajincang available, the valuer was unable to complete the related valuation and therefore no fair value assessment was made possible regarding to the Previous Supplier Guarantees and the New Supplier Guarantees in the Company’s consolidated financial statements. Disclaimer of opinions have been issued in the independent auditor’s report due to (i) failure to recognise the Previous Supplier Guarantees and the New Supplier Guarantees in accordance with Hong Kong Financial Reporting Standards; and (ii) the potential obligations arising from the Previous Supplier Guarantees and the New Supplier Guarantees possibly casting significant doubt on the Group’s ability to continue as a going concern.

Taking into account that (i) Dajincang had failed to repay the Previous Supplier Loans in the past and the ability of Dajincang to repay the New Supplier Loan, which Dihao Foodstuff guaranteed, is currently uncertain; and (ii) the disclaimer of opinion may continue to be issued on the Company’s financial statements due to the failure to recognise the New Supplier Guarantees, we are of the view that the Transaction can remove such financial uncertainties of the possible financial obligations under the New Supplier Loan and clear the concern of the potential liabilities of the New Supplier Loan in the financial statements of the Company.

Furthermore, we note from the announcements of the Company dated 7 January 2014, 31 March 2014 and 31 March 2015 that the Target Properties and its production facilities are located in a rapidly developed central area of a total area of approximately 85,000 sq.m, in Changchun. The land where the Target Properties

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## LETTER FROM OCTAL CAPITAL

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are situated has a total area of approximately 256,754 square meters, are currently categorised under industrial use under the respective land use certificates. As requested by the local government in Changchun, the Company planned to relocate the production facilities to a new site in Xinglongshan in Changchun away from densely populated area. According to a PRC legal opinion dated 11 August 2017 (the “**Legal Opinion**”), the land under the Target Properties after the relocation may be able to be rezoned from industrial use to commercial use for other developments but such transfer requires the Target Companies to firstly apply for the change of land use in the relevant government authorities of rural and urban planning and the land resources first. If the application is successful, either the Target Properties can be sold by means of bid invitation, auction or listing for sale or real estate can be planned in the Target Properties with land premium assessed by independent valuer and paid. However, there are buildings situated in the Target Properties, such as office, factory, warehouse and power distribution room, without appropriate building ownership certificates obtained (the “**Buildings**”). Although the Buildings are treated as illegal buildings under the Urban and Rural Planning Law of the People’s Republic of China, as stated in the Legal Opinion, the Buildings are not treated as illegal in practice and such legal deficiencies of ownership will not prevent the Target Companies from transferring, leasing out and pledging the Buildings. Due to the lack of the building ownership certificates, transferring the Target Properties where the Buildings are located in requires the approvals of the relevant authorities and the relevant administrative procedures are expected to be tedious and the application time involved is estimated to be much longer than usual. On the other hand, part of the Target Properties are still under pledge for bank borrowing which will be due in the early 2019. The transfer of title of the Target Properties through bid invitation, auction or listing for sale must seek the approval from the relevant creditors before the full repayment of the total sum payable. As further advised by the Company, the Company expects to incur a substantial amount of expenses and resources for transferring the title of the Target Properties from industrial use to commercial use.

We also note from the announcements of the Company dated 14 April 2016 and 2 March 2017 that the Company had tried to sell the Target Properties to an independent third party (the “**Previous Purchaser**”). However, notwithstanding the effort made by the Company, certain conditions precedents as contemplated under the Property Disposal Agreements are yet to be fulfilled, the Previous Purchaser finally proposed to terminate such transaction with the Company. As advised by the Company, the Company has been looking for another independent purchaser of the Target Properties but the negotiation for the proposed disposal is still at preliminary stage and the success of disposal is uncertain.

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## LETTER FROM OCTAL CAPITAL

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Considering that (i) the Group had a net current liability of approximately HK\$679.2 million as at 31 December 2016 and, therefore, the financial resources available for the Group to settle the respective bank borrowing early to release the pledge of the Target Properties are limited; (ii) the rezoning of the Target Properties to commercial use requires the tedious administrative procedures and feasibility of the rezoning is uncertain especially because of the lack of proper building ownership certificates of the Buildings; and (iii) discussion with independent purchaser for the Target Properties has not been successful, we are of the opinion that the chance of realising the financial benefits of the Target Properties on the Group's own without the Transaction is remote in foreseeable future.

Taking into accounts that (i) the gloomy market conditions in China limit the growth potential of the Target Companies in the near future; (ii) the Transaction allows the Group to continue to consolidate its resources towards the development of the Shanghai production base and the respective high end markets; (iii) the Transaction can eliminate the potential obligations arising from the New Supplier Guarantees; and (iv) realising the financial benefits of the Target Properties on the Group's own without the Transaction is remote in foreseeable future, we are in the opinion that the Transaction is of the interest of the Shareholders and the Company as a whole.

#### 4. Terms of the Transaction

Details of the terms of the S&P Agreement were set out in the "Letter from the Board" in the Circular.

##### *Consideration of the Transaction*

Pursuant to the S&P Agreement, the consideration for the Sale Interest is HK\$60,971,000 which shall be payable by the Purchaser at Completion. The consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to (i) the audited net asset value of the Target Companies of approximately HK\$25,193,000 as at 31 December 2016; and (ii) the adjustment of the fair value of the Target Properties which is based on current usage (i.e. industrial) of approximately HK\$35,778,000.

As set out in the valuation report (the "**Property Valuation Report**") prepared by Access Partner Consultancy & Appraisals Limited (the "**Independent Valuer**"), the assessed value of the Target Properties was approximately RMB310,000,000 (equivalent to approximately HK\$344,000,000) as at 31 May 2017. Based on our

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## LETTER FROM OCTAL CAPITAL

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review of the Property Valuation Report and our discussion with the Independent Valuer, we noted that the valuation of the Target Properties has been prepared by market approach as supplemented by the depreciated replacement cost approach. The total assessed value of the Target Properties is the sum of the bare land value based on the market approach and the cost of replacing the structure existing on the bare land less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (if applicable). The valuation has been made on the assumptions that the seller sells the Target Properties in the market in its existing conditions without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Target Properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Target Properties and no allowance has been made for the Target Properties to be sold in one lot or to a single purchaser.

We have reviewed and enquired the qualification and experience of the Independent Valuer in charge of the valuation of the Target Properties. We noted that the Independent Valuer is on the recognised list of valuation companies. Meanwhile, we understand from our enquiry with the Independent Valuer that it is a third party independent of the Group and/or and the connected persons of the Group and/or Vendors and/or Purchaser and/or GBT Group. We have also reviewed the scope of services provided under the engagement of the Independent Valuer by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that the Independent Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Target Properties.

Based on our review and analysis of the Property Valuation Report, we consider that this methodology is a commonly adopted approach and justifiable in appraising the Target Properties and the assumptions being evaluated and validated can provide a reasonable basis in arriving at the valuation. We consider that the basis and assumptions adopted by the Independent Valuer for the valuation are fair and reasonable.

Based on the above, we are of the view that the consideration is fair and reasonable and the methodology to arrive at the consideration is a commonly adopted approach.

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## LETTER FROM OCTAL CAPITAL

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### FINANCIAL EFFECTS OF TRANSACTION

Dihao Foodstuff and Dihao Crystal Sugar are wholly owned subsidiaries of the Company. Upon Completion, the financial effects of the Transaction on the Group are as follow:

#### 1. Earnings

Upon Completion, the Group shall not have any interest in the Target Companies and the financial performance and position of the Target Companies will cease to be consolidated in the accounts of the Group.

Upon completion of the Transaction, it is estimated that the Group will record a potential gain on the Transaction of approximately HK\$35,778,000, being the premium of the consideration over the net assets of approximately HK\$25,193,000 of the Target Companies as at 31 December 2016 without taking into account the relevant expenses of the Transaction.

#### 2. Net asset value

As at 31 December 2016, the audited net assets of the Group were approximately HK\$12.0 million. The Company expected that the net assets of the Group would increase upon completion of the Transaction.

#### 3. Cashflow

The bank balances and cash of the Group as at 31 December 2016 amounted to approximately HK\$117.0 million. As the consideration will be settled in cash, the Company expected that the cashflow of the Group would improve upon completion of the Transaction.

#### 4. Gearing

As at 31 December 2016, the gearing ratio in terms of debts (i.e. total interest bearing bank borrowings) to equity and debts (i.e. aggregate total of shareholders equity, non-controlling interests and total interest bearing bank borrowing) of the Group was approximately 98.5%. The Company expected that the gearing ratio of the Group would decrease upon completion of the Transaction.

Based on the above analysis, the Transaction would have improvement on the earnings, net asset value, cash inflow and gearing of the Group. On such basis, we are of the view that the Transaction is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM OCTAL CAPITAL

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### RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms of the S&P Agreement and transactions contemplated thereunder are on normal commercial terms, fair and reasonable and 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 resolution to be proposed at the EGM for approving the Transaction.

Yours faithfully,

For and on behalf of

**Octal Capital Limited**

**Alan Fung**

**Louis Chan**

*Managing Director*

*Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions 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 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong

*The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Access Partner Consultancy & Appraisals Limited, an independent valuer, in connection with its valuation as of 31 May 2017 of the Target Properties.*



Unite 2603, Floor 26,  
Tung Wai Commercial Building,  
109-111 Gloucester Road,  
Wanchai,  
Hong Kong

21 August 2017

The Board of Directors  
**Global Sweeteners Holdings Limited**  
Unit 1104  
Admiralty Centre  
Tower I  
18 Harcourt Road  
Hong Kong

Dear Sirs/Madams,

**VALUATION OF AN INDUSTRIAL COMPLEX SITUATED IN  
LUYUAN DISTRICT, CHANGCHUN CITY, JILIN PROVINCE, THE  
PEOPLE’S REPUBLIC OF CHINA (THE “PRC”)**

**INSTRUCTION**

In accordance with your instructions for Access Partner Consultancy & Appraisals Limited (“**Access Partner**” or “**we**”) to value the captioned property (the “**Property**”) held by Global Sweeteners Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as of 31 May 2017 (the “**Date of Valuation**”).



## 1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Group. In addition, Access Partner acknowledges that this report may be made available to the Group for public documentation purpose and used as reference on the Group's circular dated 21 August 2017 (the "Circular").

We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

## 2. BASIS OF VALUATION

Our valuation has been based on market value, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

## 3. VALUATION METHODOLOGY

Due to the nature of the buildings and structures of the Property in the PRC, there are no market sales comparable readily available, the buildings and structures of the Property have been valued by the cost approach with reference to their depreciated replacement cost ("DRC").

The DRC is derived from a market value of the bare land based on direct comparison approach, plus the current cost of replacing the structures existing on the bare land less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (if applicable).

In practice, DRC approach may be used as a substitute for ascertaining the market value of specialised purpose-built property, due to the lack of market comparables available. Due to the specialised purpose-built nature of the Property and the lack of market comparables available as mentioned above, the DRC approach may be used as a substitute for valuing the buildings and structures of the Property.

## 4. TITLE INVESTIGATION

We have been provided with copies of extracts of title documents relating to the Property. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal advisor, 吉林路朗律師事務所 (Jilin Lulang Law Firm\*), in respect of the titles to the Property in the PRC. These documents have been used for reference only.

\* for identification purposes only

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

## **5. MAJOR ASSUMPTIONS**

Our valuation has been made on the assumption that the seller sells the Property in the market in its existing conditions without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance has been made for the Property to be sold in one lot or to a single purchaser.

Our valuation does not necessarily represent the amount that might be realised from the disposition of the Property.

## **6. SOURCES OF INFORMATION**

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

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

## **7. VALUATION CONSIDERATION**

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

No detailed measurements have been carried out by us to verify the correctness/accuracy of the areas (neither site nor floor) in respect of the Property under consideration but we have assumed that the site/floor areas shown on the title documents handed to us are correct. Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charge, mortgage or amount owing on any of the Property being appraised nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the Property, we have complied with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

## **8. REMARKS**

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,

For and on behalf of

**Access Partner Consultancy & Appraisals Limited**

**Chris Tang**

M.R.I.C.S., M.H.K.I.S.

*Associate Director*

*Note:*

Mr. Chris TANG is the Associate Director of Access Partner Consultancy & Appraisals Limited. He has been working in the field of valuation in Hong Kong since 1977. He has had over 40 years of practical experience in the valuation of landed properties for various purposes such as Rating, Government rent, Government land premium, waivers and Short Term Tenancies, etc. for the Hong Kong Government and in private sectors in Hong Kong and overseas. In addition, he has more than 12 years' practical experience in preparing and handling valuations of real property, plant and machinery, etc. for various purposes including sales and purchases, mortgage, statutory and loss adjustment, etc.

## VALUATION CERTIFICATE

## Property held and occupied by Dihao Crystal Sugar and Dihao Foodstuff in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as of 31 May 2017
An industrial complex situated in Luyuan District, Changchun City, Jilin Province, The PRC	The Property comprises various parcels of land with a total site area of approximately 256,754 sq.m. which has been developed into an industrial development including various buildings and ancillary structures with a total gross floor area of 85,228.21 sq.m., completed in about 2000. For details, please refer to Notes 2 and 4.	As advised by the Group, as of the Date of Valuation, the Property was occupied by the Group for industrial use and ceased operation.	RMB310,000,000
According to the Company, the buildings and structures situated in the same piece of land containing various land use rights are situated in No.28, No.886 and No.1588 Xihuancheng Road	The land use rights of the Property have been granted for various terms, in which the earliest term will be expired on 20 October 2039, for industrial use.		

*Notes:*

1. Pursuant to 5 State-owned Land Use Rights Certificates issued by Changchun People's Government, the land use rights of the Property have been granted to Changchun Dihao Foodstuff Development Co., Ltd. (長春帝豪食品發展有限公司) ("Dihao Foodstuff") and Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (長春帝豪結晶糖開發實業有限公司) ("Dihao Crystal Sugar"), both are wholly owned subsidiaries of the Company, for terms, the earliest term will be expired on 20 October 2039 for industrial use.
2. Pursuant to 22 Building Ownership Certificates all issued by Changchun Real Estate Administration Bureau, the building ownership of various buildings of the Property with a total gross floor area ("GFA") of approximately 65,782.98 sq.m. is held by Dihao Foodstuff and Dihao Crystal Sugar.
3. Our inspection was performed by Mr. Ng Chun Fai, who has over 8 years valuation experience, in June 2017.

4. We have been provided with a legal opinion on the title to the Property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
  - a. Dihao Foodstuff and Dihao Crystal Sugar own the land use rights and the buildings of the property as stipulated in Notes 1 and 2. The GFA of the buildings and structures with Building Ownership Certificates is 65,782.98 sq.m. The remaining GFA without Building Ownership Certificates was 19,445.23 sq.m. and the Company can apply relevant ownership certificates for such portion of the Property.
  - b. The land use rights and the buildings of the Property as stipulated in Notes 1 and 2 are mortgaged to China Merchants Bank Co., Ltd. and Agricultural Bank of China for a loan period due to expire on the range of 28 April 2017 to 24 March 2019;
  - c. Dihao Foodstuff and Dihao Crystal Sugar is entitled to occupy, use, transfer, lease, pledge or by other legal means to dispose of the Property. As the land use rights and the buildings of the Property as stipulated in Notes 1 and 2 are mortgaged, consent from the mortgagee is required upon the transfer of the said portion of the Property; and
  - d. There is no legal impediment for Dihao Foodstuff and Dihao Crystal Sugar to obtain the building ownership certificates for the buildings as stipulated in Note 4 because the government has not issued any relevant documents to indicate that such buildings are illegal construction.
5. For the Company's internal management reference purpose, we have been instructed to provide an estimation of the value of the properties on the special assumptions that the properties had been granted for commercial/residential use for terms of 40 years and 70 years for commercial and residential uses respectively with a redevelopment plot ratio of 2.5 as at the Date of Valuation. We are also instructed by the Company to take into account the revenue attributable to the government after the change of land use. According to the Company, there has not been any redevelopment plan on the redevelopment of the properties submitted or approved by the government authorities. In view of the aforesaid assumptions, we would advise that the estimated reference value of the properties, given vacant possession and free from encumbrances, was in the region of RMB640,000,000 as at the Date of Valuation.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for the three years ended 31 December 2014, 2015 and 2016 respectively are disclosed in the following documents which are published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.global-sweeteners.com](http://www.global-sweeteners.com):

annual report of the Company for the year ended 31 December 2014;

annual report of the Company for the year ended 31 December 2015; and

annual report of the Company for the year ended 31 December 2016

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 30 June 2017, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total interest-bearing borrowings of approximately HK\$975,568,000, details of which are as follows:

	<b>Unguaranteed</b>	<b>Guaranteed</b>		
	<b>Secured</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Non-current</b>				
Bank loans	—	102,273	102,272	204,545
<b>Current</b>				
Bank loans	<u>192,045</u>	<u>49,091</u>	<u>529,887</u>	<u>771,023</u>
	<u><u>192,045</u></u>	<u><u>151,364</u></u>	<u><u>632,159</u></u>	<u><u>975,568</u></u>

The Group's bank borrowings amounting to HK\$343,409,000 were secured by the pledge of certain of the Group's property, plant and equipment and prepaid land lease payment.

At the close of business on 30 June 2017 Dihao Foodstuff was one of the guarantors to the Supplier Loan with a maximum guaranteed amount of RMB2.5 billion.

Apart from intra-Group liabilities and save as aforesaid, at the close of business on 30 June 2017, the Group did not have any other outstanding debt securities, term loans, other bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments or other borrowings or indebtedness in the nature of borrowings, mortgage, charges, contingent liabilities or guarantees.

### 3. WORKING CAPITAL

The Group recorded a consolidated net loss of approximately HK\$162.4 million (2015: approximately HK\$753.8 million) for the year ended 31 December 2016. In view of these circumstances, the Directors have taken the following steps to improve the Group's liquidity and solvency position:

#### (1) **Active negotiations with banks to obtain adequate bank borrowings and to restructure its debts**

The management of the Company has been actively negotiating with the banks in the PRC to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. Pursuant to an agreement signed with four major lender banks of the subsidiaries of the Company and GBT on 22 September 2015 (the "**Agreement**"), in respect of the banking facilities granted to the subsidiaries of the Company and GBT in Changchun, the four major lender banks agreed 1) to lower the interest rate for the bank borrowings; 2) not to withdraw any banking facilities then provided; and 3) to take all possible measures to ensure the renewal of all existing bank borrowings. On 21 March 2016, at a meeting between the Company and three of the major lender banks in Changchun, the three lender banks reiterated to act upon the Agreement and expressed their support to the subsidiaries of the Company and GBT in Changchun, and their intention to renew the existing banking facilities granted by them to the Company's and GBT's subsidiaries in Changchun upon expiry.

**(2) Monitoring of the Group's operating cash flows**

The Group has taken various measures to tighten cost controls over production costs and expenses with the aim to attain profitable and positive cash flow operations. During the year ended 31 December 2016, the Group has optimised its production in order to minimise operating cash outflows.

**(3) Financial support from the indirect controlling shareholder of GBT**

In March 2016, the Group received a written confirmation (the “**Confirmation**”) from the then ultimate holding entity of a major shareholder of GBT, that it will provide financial support to the Group for its operation on a going concern basis. The Confirmation will expire in September 2017. As announced by GBT on 2 March 2017, Jilin Agricultural Investment Group Co., Ltd. (吉林省農業投資集團有限公司)(“**Nongtou**”), an entity controlled by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province (“**SASAC of Jilin Province**”), became an indirect controlling shareholder of GBT. The Group has received a written confirmation from Nongtou that it will provide financial support to the Group for its operation on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group. Nongtou, being a State-owned enterprise, was established in August 2016 and its paid up registered capital amounted to only RMB461 million as at 30 June 2017, is tasked to consolidate the State-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group.

As such, the Directors are of the opinion that, after taking into account the internal resources, the present and expected available banking facilities and the effects of the Completion of the Transaction, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.



**4. FINANCIAL AND TRADING PROSPECTS**

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

The Group will continue to strengthen its market position by leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products. The Group will also consider the possibility of diversification of business to ensure sustainable development of the Group in longer term.

With respect to the financial position of the Group, the management will endeavor to overcome the challenges and adopt a prudent approach in business development.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group was made up.

## 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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

### *Long positions in ordinary shares of the Company:*

Name of Director	Company/ name of associated corporation	Nature of interest	Number of shares interested (Note 1)	Percentage of relevant class of issued share capital of the Company/ associated corporation (Note 2)
Mr. Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) (Note 3)	0.13
	GBT	Beneficial owner	18,256,000 ordinary shares of HK\$0.10 each (L)	0.29
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK\$0.10 each (L) (Note 4)	3.78

*Notes:*

1. The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporation.
2. On the basis of 1,527,586,000 Shares in issue as at the Latest Practicable Date.
3. These shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.
4. These 241,920,000 shares are held by Hartington Profits Limited.

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

Since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group are made up) and up to the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Mr. Kong Zhanpeng, an executive Director, is interested in approximately 4.07% of the issued share capital of GBT through his interest as beneficial owner and interest in Hartington Profits Limited, and is the chief executive officer of GBT. In addition, Mr. Zhang Zihua, an executive Director, is also the executive director of GBT. As such, both Mr. Kong and Mr. Zhang Zihua are considered to have material interests in the Transaction.

Save as disclosed above, none of the Directors or proposed directors of the Company (if any) was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

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

Name of shareholder	Company/ Name of Group member	Nature of interest	Capital/number of shares/ underlying shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Global Corn Bio-chem	The Company	Beneficial owner	977,778,000 Shares (L)	64.01
GBT	The Company	Interest of a controlled corporation (Note 3)	977,778,000 Shares (L)	64.01
	The Company	Beneficial owner	500,000 Shares (L)	0.03
Modern Agricultural Industry Investment Limited (“ <b>Modern Agricultural</b> ”) (Note 4)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04
Modern Agricultural Industry Investment Holdings Limited (Note 4)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04
Jilin Province Modern Agricultural Industry Investment Fund (LLP) (“ <b>PRC LLP</b> ”) (Note 4)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04

Name of shareholder	Company/ Name of Group member	Nature of interest	Capital/number of shares/ underlying shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Jilin Province Modern Agricultural Industry Fund Limited (“GP”) (Note 4)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04
Jilin Province Communications Investments Group Co., Ltd. (“Jiaotou”)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04
Nongtou (Note 4)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04
SASAC of Jilin Province (Note 4)	The Company	Interest of a controlled corporation	978,278,000 Shares (L)	64.04

## Notes:

- The letter “L” represents the Director’s interests in the shares and underlying shares of the Company.
- On the basis of 1,527,586,000 Shares in issue as at the Latest Practicable Date.
- 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. Kong Zhanpeng, an executive Director, is also the chief executive officer of GBT. Mr. Zhang Zihua, an executive Director, is also the executive director of GBT.
- These Shares comprise of 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. As at the Latest Practicable Date, GP is wholly owned by Nongtou and 40% of the investment capital of PRC LLP is owned by Nongtou. 20% of the investment capital of PRC LLP is owned by Jiaotou. As announced by GBT on 2 March 2017, an agreement was entered into among others, Jiaotou and Nongtou on 27 February 2017 for among others, the transfer by Jiaotou to Nongtou of its investment capital in PRC LLP. During the transition period from the date of the above agreement to the completion of such transfer, Nongtou shall manage the above

transferred interest on behalf of Jiaotou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of GBT. Nongtou is controlled by SASAC of Jilin Province. Each of Modern Agricultural, 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, so far as is known to any Director or chief executive of the Company, there was no other person (other than a Director or chief executive 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 LITIGATIONS

As at the Latest Practicable Date, there was no litigation or claims of material importance pending or threatened against the Group as at the Latest Practicable Date.

#### 6. COMPETING INTEREST

Mr. Kong Zhanpeng, an executive Director, is interested in approximately 4.07% of the issued share capital of GBT through his interest as beneficial owner and interest in Hartington Profits Limited, and is the chief executive officer of GBT. Mr. Zhang Zihua, an executive Director, is also the executive director of GBT. The GBT Group is engaged in, among other things, manufacture and sale of corn refined products and corn based biochemical products (the “**Excluded Business**”). Pursuant to a Non-compete Undertaking, the GBT Group is restricted from engaging in any business that may compete with the business of the Group from time to time.

The Group is principally engaged in the manufacture and sale of corn refined products and corn based sweetener products. Given (i) the core business of the Group is not dependent or otherwise rely on the manufacture and sale of corn refined products and corn based biochemical products; (ii) both Mr. Kong Zhanpeng and Mr. Zhang Zihua are considered to have material interests in the S&P Agreement and have abstained from voting on the Board resolutions approving the S&P Agreement; and (iii) the execution of the Non-compete Undertaking, the Directors consider that the Group is capable of carrying on its own business independently of, and at arm's length from, the Excluded Business.

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

#### 7. QUALIFICATION AND CONSENT OF EXPERTS

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

<b>Name</b>	<b>Qualification</b>
Access Partner	Independent property valuer
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

Each of Access Partner and 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 is included.

As at the Latest Practicable Date, each of Access Partner and 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 2016, 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. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the date of this circular, and are or may be material:

- (a) the S&P Agreement;
- (b) the termination agreement dated 2 March 2017 and entered into between 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (“**Taiyangshen**”), Dihao Foodstuff and Dihao Crystal Sugar in respect of the termination of the Property Transfer Agreement (as defined below) and the Asset Transfer Agreement (as defined below) on and subject to the terms and conditions thereof;
- (c) the property transfer agreement dated 14 April 2016 (the “**Property Transfer Agreement**”) and entered into between Taiyangshen, Dihao Foodstuff and Dihao Crystal Sugar in respect of the sale and purchase of pieces of land and buildings erected thereon at the east side of Xihuancheng Road, Luyuan District, Changchun, the PRC, on and subject to the terms and conditions thereof; and
- (d) the asset transfer agreement dated 14 April 2016 (the “**Asset Transfer Agreement**”) and entered into between the Taiyangshen, Dihao Foodstuff and Dihao Crystal Sugar in respect of the sale and purchase of, among others, trade and other receivables owed to the Group, on and subject to the terms and conditions thereof.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong during normal business hours from 9:30 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the consolidated audited accounts of the Company for each of the two financial years ended 31 December 2016;
- (c) the letter from the Board, the text of which is set out on pages 5 to 13 to this circular;
- (d) the letter from the Independent Board Committee;
- (e) the letter from Octal Capital;
- (f) the material contracts referred to under the paragraph headed “8. Material Contracts” in this appendix;
- (g) the valuation report on the Target Properties prepared by Access Partner, the text of which is set out in Appendix I to this circular; and
- (h) the consent letters referred to in the paragraph headed “7. Qualification and Consent of Experts” in this appendix.

**10. 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 Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, 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 Mr. Lee Chi Yung. Mr. Lee is the member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
  
- (e) The English text of this circular shall prevail over its Chinese text.

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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 of Global Sweeteners Holdings Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m on Monday, 11 September 2017 for the purposes of considering and, if though fit, passing the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** the sale and purchase agreement (the “**S&P Agreement**”) dated 21 July 2017 (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) and entered into between Global Sweeteners (China) Limited, Global Starch (Changchun) Investments Limited and Global Sorbitol (H.K.) Company Limited as vendors and Global Corn Chemical Investments Limited as purchaser in relation to the disposal of the entire equity interest in 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.) and 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.) and the transactions contemplated thereby (including without limitation the execution of a waiver by the Company to Global Bio-chem Technology Group Company Limited and Global Corn Bio-chem Technology Company Limited in respect of the non-compete undertaking given thereby dated 3 September 2007) be and are 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 S&P Agreement or the transactions contemplated thereby.”

By order of the Board of  
**Global Sweeteners Holdings Limited**  
**Kong Zhanpeng**  
*Chairman*

Hong Kong, 21 August 2017

\* *for identification purposes only*

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## NOTICE OF EGM

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*Registered office:*

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

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

Unit 1104, Admiralty Centre  
Tower 1  
18 Harcourt Road  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting above is entitled to appoint in written form one or, if he is the holder of two or more shares (“**Shares**”) of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Hong Kong branch share registrar and transfer office (“**Branch Registrar**”) of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the meeting (i.e. at or before 10:30 a.m. on Saturday, 9 September 2017 (Hong Kong time)) or any adjournment thereof.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. For the purpose of determining members who are qualified for attending the above meeting, the register of members of the Company will be closed from 6 September 2017 to 11 September 2017, during which period no transfer of the Shares will be effected. In order to qualify for attending the above meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Registrar at the above address by no later than 4:30 p.m. on 5 September 2017.

*As at the date of this notice, the Board comprises two executive Directors, namely, Mr. Kong Zhanpeng and Mr. Zhang Zihua; and three independent non-executive Directors, namely, Mr. Ho Lic Ki, Mr. Lo Kwing Yu and Mr. Yuen Tsz Chun.*