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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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

- (1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE;
- (2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION;
- (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser to
Independent Board Committee and Independent Shareholders



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

A letter from the Board is set out on pages 8 to 27 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 28 to 29 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 30 to 56 of this circular.

A notice convening the EGM to be held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 8:00 a.m. on Sunday, 31 December 2023 is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. at or before 8:00 a.m. on Friday, 29 December 2023 (Hong Kong time)) or any adjournment or postponement 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 or postponement thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

14 December 2023

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 30 November 2023 in relation to, among others, the Subscription, the Increase in Authorised Share Capital, and the Proposed Amendments
“Articles” or “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
“Changbaishan”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Changchun Investment Fund”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Changchun MFB”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Changchun SASAC”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00809)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Ratio”	the rate for conversion of the Subscription CPS into Shares on a one for one basis
“Conversion Shares”	the new Shares which may be issued upon exercise by the holder(s) of the Subscription CPS of the conversion rights attached thereto at the Conversion Ratio
“Convertible Bonds”	convertible bonds in the principal amount of HK\$1,086,279,565 issued by the Company on 15 October 2015 held by Modern Agricultural Investment
“CPS”	non-voting convertible preference share(s) of HK\$0.10 each in the capital of the Company

DEFINITIONS

“Debt Restructuring Arrangement”	the debt restructuring arrangement to be entered into between, among others, the Company, Nongtou and Jilin Cinda in relation to the assignment by Jilin Cinda of the loan owed by the Group to Nongtou
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 8:00 a.m. on Sunday, 31 December 2023, the notice of which is set out on pages EGM-1 to EGM-4 of this circular, and any adjournment or postponement thereof
“Group”	the Company and its subsidiaries
“GSH”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03889), which is directly and indirectly held as to approximately 64.04% by the Company at the Latest Practicable Date
“GSH Completion”	the completion of the sale and purchase of the GSH Sale Shares in accordance with the GSH SPA, which shall take place on the GSH Completion Date
“GSH Completion Date”	the fifth business day after all conditions precedent (other than those conditions precedent that are stipulated to be fulfilled on the GSH Completion Date) have been fulfilled or waived (as the case may be) or any other date as agreed by the parties to the GSH SPA in writing, being the completion date under the GSH SPA
“GSH Group”	collectively, GSH and its subsidiaries from time to time, which were subsidiaries of the Company as at the date of the GSH SPA and will continue to be so until the GSH Completion (assuming no other change to the shareholding structure of GSH)
“GSH Sale Shares”	717,965,000 ordinary shares of HK\$0.10 each in the issued share capital of GSH held by Global Corn Bio-Chem Technology Company Limited as at the date of the GSH SPA and to be sold to the Joint Offerors under the GSH SPA, representing approximately 47.00% of the entire issued share capital of GSH as at the date of the GSH SPA

DEFINITIONS

“GSH SPA”	the sale and purchase agreement dated 6 April 2023 entered into by the Joint Offerors as purchasers and Global Corn Bio-Chem Technology Company Limited for the acquisition of the GSH Sale Shares by the Joint Offerors
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$2,000,000,000 divided into 20,000,000,000 Shares to HK\$6,000,000,000 divided into 30,000,000,000 Shares and 30,000,000,000 CPS
“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors, namely Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, which has been established in accordance with the Listing Rules to give recommendation to the Independent Shareholders in respect of the Transactions, and as to the voting action therefor
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders other than Modern Agricultural Investment who is interested in the Transactions, the Proposed Amendments and the Increase in Authorised Share Capital and is required to abstain from voting at the EGM to consider the approval of the Transactions, the Proposed Amendments and the Increase in Authorised Share Capital under the Listing Rules
“Independent third Party/(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive of the Company, substantial Shareholders, its subsidiaries or any of their respective associates
“Jilin Cinda”	中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*)
“Jilin DOF”	has the meaning as defined in the paragraph “Letter from the Board – Information on the Subscribers” in this circular

DEFINITIONS

“Jilin Liheng”	吉林省利亨股權投資合夥企業(有限合夥) (Jilin Province Liheng Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC and one of the Subscribers
“Jilin Liheng Investment Capital”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Jilin Liheng Subscription Monies”	the subscription monies to be applied by Jilin Liheng for the subscription of Liheng CPS of RMB1,330,000,000 to be converted into Hong Kong dollars at the exchange rate applied by the bank when the subscription monies are transferred to a bank account of Jilin Liheng in Hong Kong after the fulfillment of the condition precedent (d) as set out in the paragraph headed “Letter from the Board – Conditions Precedent” in this circular
“Jilin SASAC”	吉林省人民政府國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of the People’s Government of Jilin Province), a PRC Governmental Body holding of 90% interests in Nongtou
“Jilin Yuanheng”	吉林省元亨股權投資合夥企業(有限合夥) (Jilin Province Yuanheng Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC and one of the Subscribers
“Jilin Yuanheng Investment Capital”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Jilin Yuanheng Subscription Monies”	the subscription monies to be applied by Jilin Yuanheng for the subscription of Yuanheng CPS of RMB250,000,000 to be converted into Hong Kong dollars at the exchange rate applied by the bank when the subscription monies are transferred to a bank account of Jilin Yuanheng in Hong Kong after the fulfillment of the condition precedent (d) as set out in the paragraph headed “Letter from the Board – Conditions Precedent” in this circular
“Joint Offerors”	collectively, Mr. Kong Zhanpeng and Mr. Wang Tiegungang, being the purchasers under the GSH SPA
“Last Trading Day”	30 November 2023, being the date of the Subscription Agreement
“Latest Practicable Date”	14 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Liheng CPS”	the CPS to be issued to Jilin Liheng pursuant to the Subscription

DEFINITIONS

“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 February 2024 (or such later date as may be agreed by the Subscribers and the Company in writing)
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company, as amended from time to time
“Modern Agricultural Fund”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Modern Agricultural Investment”	Modern Agricultural Industry Investment Limited, the controlling Shareholder holding approximately 35.20% of the issued share capital of the Company as at the Latest Practicable Date, and the holder of the Convertible Bonds
“Modern Agricultural PRC LLP”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Nongtou”	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*), a controlling Shareholder, which owns 60% of the investment capital of Modern Agricultural PRC LLP which indirectly wholly owns Modern Agricultural Investment
“PRC”	the People’s Republic of China
“PRC Governmental Body/(ies)”	has the meaning ascribed to it under the Listing Rules
“Proposed Amendments”	the amendments to the Memorandum and Articles to, among others, (i) incorporate the relevant terms of the CPS; and (ii) reflect the Increase in Authorised Share Capital
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights of the Subscription CPS
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Jilin Liheng and Jilin Yuanheng
“Subscription”	the issuance by the Company of, and the subscription of the Subscribers for, the Subscription CPS on and subject to the terms and conditions set out in the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 30 November 2023 entered into between the Company and the Subscribers in relation to the Subscription
“Subscription Completion”	completion of the Subscription
“Subscription Completion Date”	the same date of the satisfaction or waiver of all the Subscription Conditions (or such other date as the parties may agree)
“Subscription Conditions”	the conditions precedent to completion of the Subscription as set out in the Subscription Agreement and summarised under the paragraph headed “Letter from the Board – Conditions Precedent” in this circular
“Subscription CPS”	the Yuanheng CPS and the Liheng CPS
“Subscription Monies”	the Jilin Yuanheng Subscription Monies and the Jilin Liheng Subscription Monies
“Subscription Price”	HK\$0.10 per Subscription CPS
“substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transactions”	the Subscription, the Specific Mandate and the transactions so contemplated
“Yinhua Capital”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular

DEFINITIONS

“Yinhua Fund”	has the meaning as defined in the paragraph headed “Letter from the Board – Information on the Subscribers” in this circular
“Yuanheng CPS”	the CPS to be issued to the Jilin Yuanheng pursuant to the Subscription
“%”	per cent

LETTER FROM THE BOARD



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

Executive Directors:

Mr. Wang Cheng (*Chairman*)

Mr. Wang Guicheng

Non-executive Director:

Mr. Li Yuewen

Independent non-executive Directors:

Ms. Jiang Fangfang

Mr. Tan Chao

Ms. Xie Liangqiu

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Suites 1002, 10th Floor

Tower A, Cheung Kei Center

18 Hung Luen Road

Hung Hom

Kowloon

Hong Kong

14 December 2023

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RELATION TO THE
PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES
UNDER SPECIFIC MANDATE;**
- (2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND
ARTICLES OF ASSOCIATION;**
- (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**for identification purposes only*

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement.

On 30 November 2023 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers, the Subscription CPS at the Subscription Price. The net proceeds from the issue of the Subscription CPS are estimated to be approximately RMB1.57 billion.

The Subscription CPS will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Independent Shareholders at the EGM.

The Board proposes that the CPS be created and that the Memorandum and Articles be amended to (i) incorporate the relevant terms of the CPS; and (ii) reflect the Increase in Authorised Share Capital.

The purpose of this circular is to provide you with, among other things, (i) further information on the details of the Transactions, the Proposed Amendments and the Increase in Authorised Share Capital; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transactions, and as to the voting action therefor; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; and (iv) other information as required to be contained in this circular under the Listing Rules.

2. THE SUBSCRIPTION AGREEMENT

Date

30 November 2023

Issuer

The Company

Subscribers

- (1) Jilin Yuanheng
- (2) Jilin Liheng

LETTER FROM THE BOARD

Number of Subscription CPS

Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe for the Subscription CPS, which shall consist of:

- (a) such number of Yuanheng CPS that could be issued to Jilin Yuanheng by fully utilising the Jilin Yuanheng Subscription Monies; and
- (b) such number of Liheng CPS that could be issued to Jilin Liheng by fully utilising the Jiling Liheng Subscription Monies.

Assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the Subscription Completion Date, adopting an exchange rate of HK\$: RMB = 1: 0.9 for illustration purpose only:

- (a) 2,777,777,777 Yuanheng CPS will be issued to Jilin Yuanheng representing approximately 10.50% of the issued share capital of the Company as enlarged only by the allotment and issue of Conversion Shares immediately after the full conversion of the Subscription CPS; and
- (b) 14,777,777,777 Liheng CPS will be issued to Jilin Liheng representing approximately 55.84% of the issued share capital of the Company as enlarged only by the allotment and issue of Conversion Shares immediately after the full conversion of the Subscription CPS.

The aggregate nominal value of the Subscription CPS is HK\$1,755,555,555.4, based on the nominal value of HK\$0.10 per Share.

Subscription Price

The Subscription Price is HK\$0.10 per Subscription CPS, which represents:

- (i) a premium of approximately 33.3% over the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 78.6% over the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 78.6% over the average closing price of approximately HK\$0.056 per Share as quoted on the Stock Exchange for the last five trading days up to and immediately before the Last Trading Day;
- (iv) a premium of approximately 81.8% over the average closing price of approximately HK\$0.055 per Share as quoted on the Stock Exchange for the last ten trading days up to and immediately before the Last Trading Day;

LETTER FROM THE BOARD

- (v) a premium of approximately 66.7% over the average closing price of approximately HK\$0.060 per Share as quoted on the Stock Exchange for the last thirty trading days up to and immediately before the Last Trading Day;
- (vi) a discount of approximately 6.5% to the average closing price of approximately HK\$0.107 per Share for the past twelve months up to and immediately before the Last Trading Day;
- (vii) a premium of approximately HK\$0.912 over the unaudited consolidated net liabilities attributable to Shareholders of approximately HK\$0.812 per Share as at 30 June 2023 (based on unaudited deficit attributable to owners of the Company of approximately HK\$7,231.3 million as at 30 June 2023 and 8,907,405,717 Shares in issue as at the Latest Practicable Date) and;
- (viii) a premium of approximately HK\$0.946 over the audited consolidated net liabilities attributable to Shareholders of approximately HK\$0.846 per Share as at 31 December 2022 (based on the audited deficit attributable to the owners of the Company of approximately HK\$7,539.0 million as at 31 December 2022 and 8,907,405,717 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiation between the Company and the Subscribers with reference to the following factors: (i) the average closing price per Share for the twelve months immediately before the Last Trading Day being approximately HK\$0.107, which the Subscription Price only represents a slight discount of approximately 6.5% to such average closing price; (ii) the trading volume of the Shares which had been relatively low during the past twelve months, up to and immediately before the Last Trading Day, with an average daily trading volume falling in the range between 381,294 Shares to 2,284,571 Shares each month, representing approximately 0.01% to 0.07% of the total number of issued Shares held by public Shareholders for the respective months; (iii) the financial position of the Company, including (a) the deficit attributable to owners of the Company as at 30 June 2023 of approximately HK\$7,231.3 million, which the Subscription Price represents a significant premium of approximately HK\$0.912 over the consolidated net liabilities attributable to shareholders per Share of approximately HK\$0.812 as at 30 June 2023; and (b) the prolonged loss-making position of the Group over the years; and (iv) the par value of the Shares of HK\$0.10 each, being the minimum price for issuing new Shares in accordance with the laws of the Cayman Islands. The Directors (including the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" of this circular after taking into account the advice from the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable.

By adopting an exchange rate of HK\$: RMB = 1: 0.9 for illustration purpose only, the aggregate Subscription Monies for the Subscription CPS is RMB1,580,000,000 (equivalent to approximately HK\$1,755,555,555.56) in cash, comprising the Jilin Yuanheng Subscription Monies of RMB250,000,000 (equivalent to approximately HK\$277,777,777.78) and the Jilin Liheng Subscription Monies of RMB1,330,000,000 (equivalent to approximately HK\$1,477,777,777.78).

LETTER FROM THE BOARD

Disposal and lock-up restriction

Each of the Subscribers has undertaken and agreed that, subject to and conditional upon the Subscription Completion, it shall not, without the prior written consent of the Company and whether directly or indirectly, at any time during the period of twelve (12) months immediately following the Subscription Completion Date:

- (a) offer, pledge, charge, sell, mortgage, lend, create, transfer or otherwise dispose of any legal or beneficial interest (including by the creation of or an agreement to create or selling or granting or agreeing to sell or grant any option or contract to purchase or any warrant or right to purchase) in the Subscription CPS or any securities convertible into or exercisable or exchangeable for such Subscription CPS, or contract to do so, whether directly or indirectly; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership of such Subscription CPS or securities,

in each case, whether any of the foregoing transactions of the kind described in (a) or (b) is to be settled by delivery of Shares or such other securities convertible into Shares, or in cash or otherwise, dispose of any of the Subscription CPS or any interest in any company or entity holding (directly or indirectly) any of the Subscription CPS, and provided that the restrictions set out above shall not prohibit or restrict any sale, transfer or disposal of the Subscription CPS (or transaction, agreement or contract referred to above) among the Subscribers and their wholly owned subsidiaries and such transferee(s) agrees to receive and hold the Subscription CPS subject to the above provisions.

Conditions Precedent

Subscription Completion is conditional on, among others, the following Subscription Conditions being fulfilled or, if applicable, waived by the Long stop Date:

- (a) the Independent Shareholders having approved the Transactions at EGM;
- (b) the Shareholders having at the EGM approved the Increase in Authorised Share Capital, the Proposed Amendments and the transactions contemplated thereunder;
- (c) the Company having obtained the approval from the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be issued upon the full conversion of the Yuanheng CPS and the Liheng CPS on the Main Board of the Stock Exchange;
- (d) all other regulatory consents and authorisations of any governmental or regulatory body which are necessary and required for the purpose of implementing and completing the Transactions having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in any relevant jurisdiction, namely, (i) the approval or filing required by the competent authority of the State-owned Assets Supervision and Administration Commission in respect of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the approval or filing required by (a) the Jilin Province Development and Reform Commission, (b) the Department of Commerce of Jilin Province, China and (c) the

LETTER FROM THE BOARD

State Administration of Foreign Exchange, Jilin Branch in respect of overseas investment of domestic enterprises, and all such acknowledgements, approvals and consents remaining in full force and unrevoked;

- (e) (where applicable or necessary) the Company having obtained any necessary and required consents and given any necessary and required notifications (or having caused all relevant members of the Group to obtain such consents or give such notifications) for the Transactions under any loan agreements or security documents to which any relevant member of the Group is a borrower or an obligor; and
- (f) the Company having complied with all of its undertakings under the Subscription Agreement in all material respects.

Save for the conditions set out in paragraphs (e) and (f) above which may be waived only by the Subscribers, none of the other Subscription Conditions may be waived by any party to the Subscription Agreement.

If any of the Subscription Conditions has not been satisfied or waived (as the case may be) on or before the Long Stop Date, then the Subscription Agreement shall automatically terminate (other than in respect of certain surviving provisions including confidentiality, costs, waivers, rights and remedies). In such event, none of the parties (nor any of their respective affiliates) shall have any claim under the Subscription Agreement of any nature whatsoever against any other parties (or any of their respective affiliates) except in respect of any rights and liabilities which have accrued before termination or under any of the surviving provisions.

As at the Latest Practicable Date, the Company is not aware of any necessary and required consents and notification to be obtained and/or given for the Transactions under any loan agreements or security documents to which any relevant members of the Group is a borrower or an obligor.

As at the Latest Practicable Date, none of the Subscription Conditions have been fulfilled.

Subscription Completion

Subscription Completion shall take place on the Subscription Completion Date.

Ranking of the Subscription CPS and the Conversion Shares

The Subscription CPS shall rank, upon issue, *pari passu* in all respect among themselves and with the CPS in issue as at the date of allotment and issue of the Subscription CPS.

Upon full conversion of the Subscription CPS, the Conversion Shares to be issued shall rank, upon issue, *pari passu* in all respect among themselves and with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

LETTER FROM THE BOARD

Application for listing of the Conversion Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in the Conversion Shares to be issued upon full conversion of the Subscription CPS on the Stock Exchange.

The Company will not apply to the Listing Committee for the listing of, and permission to deal in, the Subscription CPS on the Stock Exchange.

3. PRINCIPAL TERMS OF THE SUBSCRIPTION CPS

The principal terms of the Subscription CPS are as follows:

Issuer:	The Company
Par value:	HK\$0.10 each
Subscription amount:	100% of the aggregate nominal amount of the Subscription CPS (i.e. RMB1,580,000,000.00, representing the Jilin Yuanheng Subscription Monies of RMB250,000,000.00 and the Jilin Liheng Subscription Monies of RMB1,330,000,000.00)
Preferred distribution:	Subject to compliance with all applicable laws and the Articles, each Subscription CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the Subscription CPS at a rate of not exceeding 5% per annum on the aggregate issue price of the Subscription CPS, payable annually in arrears. Each preferred distribution is non-cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not pay any dividends, distributions or make any other payment on any Shares, unless at the same time it pays to the holders of Subscription CPS any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made.

LETTER FROM THE BOARD

- Conversion rights:** The Subscription CPS shall be convertible at the option of the holder thereof at any time after twelve (12) months from the date of issue of the Subscription CPS and without the payment of any additional consideration therefor, into such number of fully-paid Shares as determined in accordance with the Conversion Ratio provided that if the issue of Shares following the exercise by a holder of the Subscription CPS of the conversion rights relating to any of the Subscription CPS held by such holder would result in the Company not meeting the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules (the “**Public Float Requirement**”) immediately after the conversion, then the number of Shares to be issued pursuant to such conversion shall be restricted to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement.
- Conversion Ratio:** The rate for conversion of the Subscription CPS into Shares on a one for one basis.
- Protection of Conversion Ratio:** If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or sub-division shall be effected on the Subscription CPS, in which case the Conversion Ratio shall remain as one Subscription CPS for one Share (as consolidated or subdivided, as the case may be).
- Transferability:** The Subscription CPS (and each of them) may be transferred by the holder thereof after twelve (12) month from the date of issue of the Subscription CPS without restriction, provided that the holder thereof shall give prior written notice to the Company and (if applicable) the Stock Exchange where the transferee is a connected person of the Company (as defined in the Listing Rules), the Company shall facilitate any such assignment or transfer of the Subscription CPS, including making any necessary applications to the Stock Exchange or any other regulatory authority for the said approval (if so required) at the cost of such holder.

LETTER FROM THE BOARD

- Redemption:** Subject to the consent of the relevant holder(s) of the Subscription CPS, the Company may redeem part or all of the Subscription CPS at a price equal to the Subscription Price per each Subscription CPS by giving not less than 30 days' written notice to the holders of the Subscription CPS.
- Ranking:** Subject to the paragraph below, the Subscription CPS shall rank in priority to the Shares and any other shares of the Company on a distribution of assets on liquidation, winding-up or dissolution of the Company.
- Return of capital:** On a distribution of assets on liquidation, winding-up or dissolution of the Company, the Subscription CPS shall confer on their holders the right to be paid, in priority to any other class of shares of the Company, an amount equal to the aggregate of the nominal amount paid up or credited as paid up on all the outstanding Subscription CPS (pro rata to the aggregate of the nominal amounts of the Subscription CPS held by each such holder).
- Voting right:** Subject to the paragraph below, the Subscription CPS shall not confer on the holders thereof any right to vote at a general meeting of holders of Shares of the Company in any circumstances, including without limitation the general meeting of holders of Shares or meeting of any other class of shares of the Company.
- Under the Articles, any variation or abrogation of all or any of the special rights attaching to the CPS shall be subject to the consent in writing of the then holders of the CPS or the sanction of a special resolution passed at a class meeting of the then holders of the CPS, and the CPS entitles its holders to vote at that class meeting only (but not the general meeting of holders of Shares or other class of shares of the Company).
- Listing:** The Subscription CPS will not be listed on any stock exchange.
- An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

4. INFORMATION ON THE SUBSCRIBERS

Jilin Yuanheng

Jilin Yuanheng is a limited liability partnership established in the PRC and is principally engaged in the business of equity investment.

The general partner is Changbaishan (as defined below) holding approximately 2.1875% of the investment capital of Jilin Yuanheng (the “**Jilin Yuanheng Investment Capital**”).

The limited partners are:

- (1) 吉林省致晟投資管理有限公司 (Jilin Zhisheng Investment Management Co., Ltd.*) (which is owned as to approximately 90.2828% by Jilin SASAC and approximately 9.7172% by Jilin Province Department of Finance (“**Jilin DOF**”)) holding approximately 62.5000% of the Jilin Yuanheng Investment Capital;
- (2) 吉林省股權基金投資有限公司 (Jilin Provincial Equity Fund Investment Co., Ltd.*) (which is wholly-owned by Jilin DOF) holding approximately 15.6250% of the Jilin Yuanheng Investment Capital;
- (3) 長春市股權投資基金管理有限公司 (Changchun Equity Investment Fund Management Co., Ltd.*) (which is ultimately wholly-owned by 長春市財政局 (Changchun Municipal Finance Bureau*) (“**Changchun MFB**”)) holding approximately 12.5000% of the Jilin Yuanheng Investment Capital; and
- (4) 長春淨月產業基金投資有限公司 (Changchun Jingyue Industrial Fund Investment Co., Ltd.*) (which is ultimately wholly-owned by 長春淨月高新技術產業開發區財政局 (Finance Bureau of Changchun Jingyue High-tech Industrial Development Zone*)) holding approximately 7.1875% of the Jilin Yuanheng Investment Capital.

The ultimate beneficial owners of the partners of Jilin Yuanheng are all PRC Governmental Bodies, and therefore the partners and their ultimate beneficial owners are Independent Third Parties according to Rule 14A.10 of the Listing Rules, and all partners of Jilin Yuanheng are principally engaged in the business of equity investment.

Jilin Liheng

Jilin Liheng is a limited liability partnership established in the PRC and is principally engaged in the business of equity investment.

LETTER FROM THE BOARD

The general partners are:

- (1) 吉林長白山股權投資管理有限公司 (Jilin Changbaishan Equity Investment Management Co., Ltd.*) (“**Changbaishan**”) (which is ultimately owned as to approximately 90.2828% by Jilin SASAC and approximately 9.7172% by Jilin DOF) holding approximately 1.1111% of the investment capital of Jilin Liheng (the “**Jilin Liheng Investment Capital**”); and
- (2) 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Co., Ltd.*) (“**Modern Agricultural Fund**”) (*Note 1*) holding approximately 1.1111% of the Jilin Liheng Investment Capital.

The limited partners are:

- (1) 長春潤城投資有限公司 (Changchun Runcheng Investment Co., Ltd.*) (which is owned as to approximately 51.8559% by 長春市人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People’s Government of Changchun City*) (“**Changchun SASAC**”) and approximately 48.1441% by Changchun MFB) holding approximately 67.7778% of the Jilin Liheng Investment Capital;
- (2) 吉林省股權基金投資有限公司 (Jilin Province Equity Fund Investment Co., Ltd.*) (which is wholly-owned by Jilin DOF) holding approximately 18.5185% of the Jilin Liheng Investment Capital; and
- (3) Nongtou (*Note 2*) holding approximately 11.4815% of the Jilin Liheng Investment Capital.

LETTER FROM THE BOARD

Notes:

1. Modern Agricultural Fund is wholly-owned by Nongtou and at the same time, is the general partner of 吉林省現代農業產業投資基金(有限合夥) (Jilin Province Modern Agricultural Industry Investment Fund (LLP)*) (“**Modern Agricultural PRC LLP**”), a limited liability partnership established in the PRC, which wholly owns Modern Agricultural Investment. As at the Latest Practicable Date, the investment capital of Modern Agricultural PRC LLP is owned as to approximately 60.0% by Nongtou (see note 2 below), as to approximately 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.*) (“**Yinhua Capital**”) and as to approximately 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*) (“**Changchun Investment Fund**”). Based on publicly available information, (i) the owners of Nongtou, namely Jilin SASAC and Jilin DOF, are PRC Governmental Bodies, (ii) Yinhua Capital is an asset management company directly wholly owned by 銀華基金管理股份有限公司 (Yinhua Fund Management Co., Ltd*) (“**Yinhua Fund**”), which is in turn owned as to 49.00% by 西南證券股份有限公司 (Southwest Securities Co., Ltd.) (Stock Code: 600369), which being a company listed on the Shanghai Stock Exchange; 29.00% by 第一創業證券股份有限公司 (First Capital Securities Co., Ltd.) (Stock Code: 002797); and 21.00% by 東北證券股份有限公司 (Northeast Securities Co., Ltd.) (Stock Code: 000686), both of which being companies listed on the Shenzhen Stock Exchange. The remaining 1.0% interest in Yinhua Fund is ultimately controlled by Mr. Zhang Zhixiang, Mr. Zhang Weixiang, Mr. Tao Zhonghai, Mr. Li Mingdong, Mr. Yuan Zhanyong, and 復星國際有限公司 (Fosun International Limited), a company listed on the Stock Exchange (Stock Code: 00656). Changchun Investment Fund is a Changchun municipal government owned investment company ultimately owned as to approximately 84.12% by Changchun SASAC, 8.56% by Jilin DOF and 7.32% by Changchun MFB.
2. Nongtou is owned as to 90.0% by Jilin SASAC and as to 10.0% by Jilin DOF. Both Jilin SASAC and Jilin DOF are PRC Governmental Bodies.

Modern Agricultural Fund is at the same time the general partner of Modern Agricultural PRC LLP, which in turn wholly owns Modern Agricultural Investment. Modern Agricultural Investment and Nongtou are controlling Shareholders. The ultimate beneficial owners of the partners of Jilin Liheng (except Modern Agricultural Fund and Nongtou) are all PRC Governmental Bodies, and therefore the partners (except Modern Agricultural Fund and Nongtou) and their ultimate beneficial owners are Independent Third Parties according to Rule 14A.10 of the Listing Rules, and all partners of Jilin Liheng are principally engaged in the business of equity investment.

5. INFORMATION ON THE GROUP

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

LETTER FROM THE BOARD

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 31 December 2021 and 2022 and unaudited consolidated financial results of the Group for the six months ended 30 June 2023 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	746,551	372,278	622,467
Loss after tax for the year/period	435,389	1,519,565	95,122

The audited net liabilities of the Group as at 31 December 2021 and 31 December 2022 were approximately HK\$6,700,825,000 and HK\$7,787,056,000, respectively. The unaudited net liabilities of the Group as at 30 June 2023 was approximately HK\$7,487,877,000.

6. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company and Directors have considered the feasibility of debt financing. However, given that the Group recorded (i) finance costs of approximately HK\$362.2 million for the six months ended 30 June 2023, representing approximately 54.7% of the revenue of the Group for the corresponding period; and (ii) a high gearing ratio (i.e. total interest-bearing bank, other borrowings and convertible bonds to total assets (being sum of current assets and non-current assets)) of 130.2%, 139.3% and 141.4% for each of the year ended 31 December 2021 and 2022, and the six months ended 30 June 2023, the Directors considered that debt financing will incur further interest expenses and leverage for the Group. Due to the increasing market rate of interest in the debt financing market and the high leverage status of the Group, the Directors are of the view that the Group may not be able to obtain new banking facilities on terms that are favourable or cost-effective and would place additional financial burden on the Group in view of its net liabilities position of approximately HK\$7,487.9 million as at 30 June 2023.

The Company and Directors have also considered the feasibility of conducting pre-emptive equity financing, for example, rights issue or open offer to existing Shareholders, and reached the view that they are less favourable than the issuance of the Subscription CPS, since (a) the time required for the Subscription is expected to be relatively shorter and would usually incur a lower transaction cost than rights issue or open offer which involve more documents (including listing documents) and procedures; and (b) if the rights issue or open offer cannot be fully underwritten, there is relatively higher uncertainty in the amount of fund raised by the Company, and given the fact the current Subscription Price is set at a premium to the average closing price per Share as quoted on the Stock Exchange for the last thirty trading days immediately before the Last Trading Day, Shares to be offered in a rights issue or open offer offered to existing Shareholders at such price will not be attractive, and therefore may result in a low participation rate of the existing Shareholders.

LETTER FROM THE BOARD

As such, equity financing by way of the Subscription is the most appropriate mean of raising additional capital as (i) it is more practicable and direct under volatile and uncertain global market conditions prevailing; and (ii) it is less costly and minimal financial burden is imposed given that the Company is only required to pay preferred distribution to the Subscribers for the Subscription CPS at a rate of not exceeding 5% per annum on the aggregate issue price of Subscription CPS.

The Board (including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice from the Independent Financial Adviser) is of the views that it is in the interest of the Group and the Shareholders as a whole to raise funds by the Subscription, which allows the Group to (i) improve its liquidity and strengthen its capital position; (ii) reduce the Group’s gearing ratio so as to enhance the Group’s debt financing capacities; and (iii) bring in new shareholders which has a state-owned background and could provide financial and business support to the Group through its extensive business and governmental network in the PRC.

The Directors (including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice from the Independent Financial Adviser) consider the terms of the Subscription Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. USE OF PROCEEDS

The gross proceeds of the Subscription will amount to approximately HK\$1,755,555,555.56 (equivalent to RMB1,580,000,000.00). The net proceeds from the Subscription, after the deduction of the professional and other related expenses, are estimated to be approximately HK\$1,745,000,000.00, representing a net issue price of approximately HK\$0.099 per Subscription CPS.

The whole amount of the estimated net proceeds from the Subscription will be used for the settlement of the Debt Restructuring Arrangement. Based on the preliminary negotiation between the Company, Nongtou and Jilin Cinda, the aggregate outstanding principal amount owed by the Group to Jilin Cinda of approximately RMB4,267.8 million (comprising of (i) the loan then owed by the Group to 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) with an aggregate outstanding principal amount of approximately RMB1,100 million; (ii) the loans then owed by the Group to 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) with an aggregate outstanding principal amount of approximately RMB1,983.5 million; and (iii) the loan then owed by the Group to 中國進出口銀行 (The Export-Import Bank of China*) with an aggregate outstanding principal amount of approximately RMB1,184.3 million) shall be assigned to Nongtou at a haircut price, the Group shall then utilise the net proceeds from the Subscription to settle the amount then due to Nongtou. As at the Latest Practicable Date, no agreement has been entered into in relation to the Debt Restructuring Arrangement.

LETTER FROM THE BOARD

8. FUND RAISING ACTIVITY OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

The Company had not undertaken any fund raising exercise in the 12 months immediately prior to the Latest Practicable Date.

9. EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming that there is no other change in the issued share capital of the Company and adopting an exchange rate of HK\$: RMB = 1: 0.9 for illustration purpose only, the effect of the Subscription on the shareholding structure of the Company immediately upon the Subscription Completion in the case of (i) no conversion of the Subscription CPS and the Convertible Bonds; (ii) full conversion of the Subscription CPS (but no conversion of the Convertible Bonds); (iii) full conversion of the Convertible Bonds (but no conversion of the Subscription CPS); and (iv) full conversion of the Subscription CPS and the Convertible Bonds) is as follows:

	Immediately following the completion of the Subscription Completion, assuming									
	As at the Latest Practicable Date		(i) no conversion of the Subscription CPS; and (ii) no conversion of the Convertible Bonds		(i) full conversion of the Subscription CPS; and (ii) no conversion of the Convertible Bonds		(i) no conversion of the Subscription CPS; and (ii) full conversion of the Convertible Bonds		(i) full conversion of the Subscription CPS; and (ii) full conversion of the Convertible Bonds	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Subscribers										
Jilin Yuanheng	-	-	-	-	2,777,777,777	10.50	-	-	2,777,777,777	8.78
Jilin Liheng	-	-	-	-	14,777,777,777	55.84	-	-	14,777,777,777	46.72
Subtotal	-	-	-	-	17,555,555,554	66.34	-	-	17,555,555,554	55.50
Other substantial Shareholder										
Modern Agricultural Investment	3,135,509,196	35.20	3,135,509,196	35.20	3,135,509,196	11.85	8,308,269,029	59.01	8,308,269,029	26.26
HK Bloom Investment Limited (Note 1)	2,508,407,357	28.16	2,508,407,357	28.16	2,508,407,357	9.48	2,508,407,357	17.82	2,508,407,357	7.93
Director										
Mr. Wang Guicheng	500,000	0.01	500,000	0.01	500,000	0.00	500,000	0.00	500,000	0.00
Public Shareholders	3,262,989,164	36.63	3,262,989,164	36.63	3,262,989,164	12.33	3,262,989,164	23.17	3,262,989,164	10.31
Total	8,907,405,717	100.00	8,907,405,717	100.00	26,462,961,271	100.00	14,080,165,550	100.00	31,635,721,104	100.00

LETTER FROM THE BOARD

Notes:

1. HK Bloom Investment Limited is beneficially owned as to 50% by Mr. Li Zhenghao and 50% by Ms. Sun Zhen.
2. This table is for illustrative purpose only. While the Subscribers are ultimately controlled by PRC Governmental Bodies of Jilin Province, for the purpose of the Public Float Requirement, the Conversion Shares held by the Subscribers upon conversion of the Subscription CPS will not be regarded as public float. Pursuant to the terms of the Subscription CPS and the Convertible Bonds, the conversion rights must not be exercised to such an extent that the public float of the Shares shall become less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in breach of the Public Float Requirement.
3. The aggregate of the percentage figures in the table above may not add up to the total percentage figures shown due to rounding of the percentage figures.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders to cater for the allotment and issue of the Conversion Shares upon exercise of the conversion rights of the Subscription CPS. The general mandate to allot and issue Shares granted at the annual general meeting of the Company held on 25 May 2023 by the then Shareholders will not be utilised for the allotment and issue of the Conversion Shares upon exercise of the conversion rights of the Subscription CPS.

10. NO ADJUSTMENT TO CONVERTIBLE BONDS

According to the terms of the Convertible Bonds, the conversion price of the Convertible Bonds shall be adjusted in accordance with the instrument creating the Convertible Bonds if securities are issued at less than 90% of the current market price (the “**Current Market Price**”) which is the average of the closing prices published in the Stock Exchange’s daily quotations sheet for the five consecutive dealing days ending on the trading day before the date of determining such current market price. Since the Subscription Price of HK\$0.10 is above the Current Market Price of HK\$0.0548 on the trading day immediately preceding the date of the Subscription Agreement, no adjustment to the Convertible Bonds is required.

11. LISTING RULES IMPLICATIONS

As set out in the paragraph headed “4. Information on the Subscribers – Jilin Liheng” above in this letter, Modern Agricultural Fund, one of the general partners of Jilin Liheng, is at the same time the general partner of Modern Agricultural PRC LLP, which in turn wholly owns Modern Agricultural Investment, the controlling Shareholder. Jilin Liheng is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription by Jilin Liheng constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. To the best knowledge and belief of the Directors, the ultimate beneficial owners of the partners of Jilin Yuanheng are all PRC Governmental Bodies, and therefore Jilin Yuanheng is an Independent Third Party according to Rule 14A.10 of the Listing Rules. The Subscription by Jilin Yuanheng is therefore not a connected transaction of the Company under the Listing Rules.

LETTER FROM THE BOARD

While the Subscribers are ultimately controlled by the PRC Governmental Bodies of Jilin Province, for the purpose of the Public Float Requirement, the Conversion Shares to be held by the Subscribers upon conversion of the Subscription CPS will not be regarded as public float under the Listing Rules. Nonetheless, pursuant to the terms of the Subscription CPS, the conversion rights must not be exercised to such an extent that the public float of the Shares shall become less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in breach of the Public Float Requirement. The Subscribers will also comply with the disclosure and approval requirement(s), if any, in compliance with the Takeovers Code, when exercising the conversion rights attached to the Subscription CPS.

12. PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES

The Board proposes that the CPS be created and that the Memorandum and Articles be amended to, among others, (i) incorporate the relevant terms of the CPS summarised in the paragraph headed “3. Principal Terms of the Subscription CPS” in this letter; and (ii) reflect the Increase in Authorised Share Capital, further details of which are set out in the paragraph headed “13. Proposed Increase in Authorised Share Capital” in this letter. Details of the Proposed Amendments are set out in Appendix II to this circular.

The Proposed Amendments are subject to the approval of the Independent Shareholders by way of a special resolution at the EGM.

13. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company from HK\$2,000,000,000 divided into 20,000,000,000 Shares to HK\$6,000,000,000 divided into 30,000,000,000 Shares and 30,000,000,000 CPS.

Subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective upon passing of such ordinary resolution. In order to accommodate the future growth of the Group and to provide the Company with greater flexibility to raise funds, the Board considers the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

14. DISCLOSURE OF DIRECTORS' INTERESTS

Mr. Yang Jian, an executive Director (resigned on 11 December 2023, a date after the publication of the Announcement), who is also a director and the general manager of Nongtou, a controlling Shareholder, and Mr. Li Yuewen, a non-executive Director, who is also the deputy general manager of Changchun Investment Fund, have abstained from voting in respect of the relevant Board resolutions approving, among others, the Transactions. Mr. Wang Cheng, an executive Director (newly appointed on 11 December 2023), who is also the chairman of Nongtou, is also considered to be interested in the Transactions, Increase in Authorised Share Capital and the Proposed Amendment.

LETTER FROM THE BOARD

Save as disclosed, none of the Directors has a material interest in the Transactions, Increase in Authorised Share Capital, the Proposed Amendment and had to abstain from voting on the relevant Board resolutions.

15. EGM

The Company will convene the EGM at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 8:00 a.m. on Sunday, 31 December 2023 for the Independent Shareholders to consider and, if thought fit, approve (i) the Transactions, (ii) the Proposed Amendments; and (iii) the proposed Increase in Authorised Share Capital. A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

Modern Agricultural Investment, which is interested in the Subscription and the transactions contemplated thereunder, including the obtaining of the Specific Mandate, shall abstain from voting on the resolutions in relation to the above and the resolutions in respect of the Proposed Amendments and the Increase in Authorised Share Capital. Other than Modern Agricultural Investment, no other Shareholders are required to abstain from voting on the resolutions to be proposed at the EGM or any adjournment or postponement thereof in respect of the Transactions, the Proposed Amendments and the Increase in Authorised Share Capital.

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

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 8:00 a.m. on Friday, 29 December 2023 (Hong Kong time)) or any adjournment or postponement 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 or postponement thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

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

LETTER FROM THE BOARD

16. RECOMMENDATION

The Transactions

The Independent Board Committee, which comprises all three independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Transactions, whether the Transactions are, or are not, fair and reasonable and in the interests of the Company and its shareholders as a whole, and as to voting. None of the members of the Independent Board Committee has any interest or involvement in the Transactions.

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

Your attention is drawn to:

- (1) the letter from the Independent Board Committee set out on pages 28 to 29 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to whether the Transactions are, or are not, fair and reasonable and in the interests of the Company and its shareholders as a whole, and as to voting; and
- (2) the letter from the Independent Financial Adviser set out on pages 30 to 56 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the Transactions are, or are not fair and reasonable and the principal factors and reasons taken into consideration by the Independent Financial Adviser in arriving at its advice and as to voting.

Having considered the above, the Directors (including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” of this circular after taking into account the advice of the Independent Financial Adviser) are of the view that the Transactions are in the interest of the Company and the Shareholders as a whole.

The Proposed Amendments and the Increase in Authorised Share Capital

The Directors also consider that the Proposed Amendments and the Increase in Authorised Share Capital are in the interest of the Company and the Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the EGM to approve, ratify and/or confirm (as the case maybe) the Subscription Agreement, the Specific Mandate and the transactions so contemplated; (ii) the ordinary resolution to be proposed at the EGM to approve the Increase in Authorised Share Capital; and (iii) the special resolution to be proposed at the EGM to approve the Proposed Amendments.

LETTER FROM THE BOARD

17. ADDITIONAL INFORMATION

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

Completion of the Subscription is conditional upon, among other matters, the Subscription Agreement becoming unconditional in all respects and having been completed in accordance with its terms, and may or may not proceed.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

14 December 2023

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

We refer to the circular issued by the Company to its shareholders and dated 14 December 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Subscription by Jilin Liheng constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders in respect of the Subscription Agreement, the Specific Mandate and the transactions so contemplated, details of which are set out in the “Letter from the Board” contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice of the Independent Financial Adviser and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the “Letter from Octal Capital” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

** for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we are of the opinion that despite the entering into the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions so contemplated, including the grant of the Specific Mandate, are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution at the EGM to approve the entering into the Subscription Agreement and the granting of Specific Mandate, and the transactions so contemplated.

Yours faithfully,

For and on behalf of

Independent Board Committee

Jiang Fangfang

Tan Chao

Xie Liangqiu

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

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



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

14 December 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of connected transaction in relation to the proposed issue of CPS, details of which are contained in the circular to the Shareholders dated 14 December 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 November 2023 (after trading hours), Jilin Yuanheng and Jilin Liheng, as Subscribers, and the Company, as issuer, entered into the Subscription Agreement pursuant to which (i) Jilin Yuanheng conditionally agreed to subscribe for such number of Yuanheng CPS that could be issued to Jilin Yuanheng by fully utilizing the Jilin Yuanheng Subscription Monies (i.e. RMB250,000,000 (equivalent to approximately HK\$277,777,777.78)); and (ii) Jilin Liheng conditionally agreed to subscribe for such number of Liheng CPS that could be issued to Jilin Liheng by fully utilizing the Jilin Liheng Subscription Monies (i.e. RMB1,330,000,000 (equivalent to approximately HK\$1,477,777,777.78)), at a Subscription Price of HK\$0.10 per Subscription CPS. The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM to cater for the allotment and issue of the Conversion Shares upon exercise of the conversion rights of the Subscription CPS.

Modern Agricultural Fund, one of the general partners of Jilin Liheng, is at the same time the general partner of Modern Agricultural PRC LLP, which in turn wholly owns Modern Agricultural Investment, the controlling Shareholder. Jilin Liheng is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription by Jilin Liheng constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM OCTAL CAPITAL

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee is, comprised of all of the independent non-executive Directors, namely Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, which has been established in accordance with the Listing Rules to give recommendation to the Independent Shareholders as to whether the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and as to the voting.

OUR INDEPENDENCE

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions, and to make recommendations as to, among others, whether the terms of the Transactions are fair and reasonable and as to the voting on the Transactions. During the last two years, we were appointed by the Company as an independent financial adviser in relation to (i) the connected transaction in relation to the proposed extension of the maturity date of the convertible bonds and the application of whitewash waiver, details of which can be referred to the circular of the Company dated 15 July 2023; and (ii) the continuing connected transactions in relation to the procurement of corn kernels, details of which can be referred to the circular of the Company dated 6 December 2023 (collectively “**Previous Engagements**”). Under the Previous Engagements, we were required to express our opinion on and give recommendations to the independent board committee of the Company (comprising all the independent non-executive Directors) and the 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 of the Company and substantial Shareholders and the Subscribers, or any of their respective subsidiaries or associates. We were not connected with the Directors, chief executive of the Company and substantial Shareholders and the Subscribers or any of their respective subsidiaries or their respective associates, and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information, among other things, (i) the Subscription Agreement; (ii) the annual report of the Company for the year ended 31 December 2022 (“**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (“**2023 Interim Report**”); (iii) other information as set out in the Circular; and (iv) the relevant market data and information available from public sources, to reach an informed view and justify our reliance on the accuracy of the information contained in the Circular and to provide a

LETTER FROM OCTAL CAPITAL

reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

THE SUBSCRIPTION AGREEMENT

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, we have taken into account the following principal factors and reasons:

1. Background of the Group

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

As disclosed in the announcement of the Company dated 6 April 2023, on that date, the Company announced (i) the disposal of approximately 47.0% of issued shares of GSH to Mr. Kong Zhanpeng and Mr. Wang Tieguang (the “**GSH Disposal**”); and (ii) the acquisition of the entire interests in Changchun Dihao Foodstuff Development Co., Ltd. and Changchun Dihao Crystal Sugar Industry Development Co., Ltd., which will become wholly-owned subsidiaries of the Company. As at the Latest Practicable Date, the two transactions have not yet been completed. The Group will be focusing on the sales and manufacturing of upstream products and amino acids upon the GSH Completion.

2. Background of the Subscribers

Jilin Yuanheng

Jilin Yuanheng is a limited liability partnership established in the PRC and is principally engaged in the business of equity investment.

The general partner is Changbaishan approximately 2.1875% of the investment capital Jilin Yuanheng (the “**Jilin Yuanheng Investment Capital**”).

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The limited partners are:

- (1) 吉林省致晟投資管理有限公司 (Jilin Zhisheng Investment Management Co., Ltd.*) (which is owned as to approximately 90.2828% by Jilin SASAC and approximately 9.7172% by Jilin DOF) holding approximately 62.5000% of the Jilin Yuanheng Investment Capital;
- (2) 吉林省股權基金投資有限公司 (Jilin Provincial Equity Fund Investment Co., Ltd.*) (which is wholly-owned by Jilin DOF) holding approximately 15.6250% of the Jilin Yuanheng Investment Capital;
- (3) 長春市股權投資基金管理有限公司 (Changchun Equity Investment Fund Management Co., Ltd.*) (which is ultimately wholly-owned by Changchun MFB) holding approximately 12.5000% of the Jilin Yuanheng Investment Capital; and
- (4) 長春淨月產業基金投資有限公司 (Changchun Jingyue Industrial Fund Investment Co., Ltd.*) (which is ultimately wholly-owned by 長春淨月高新技術產業開發區財政局 (Finance Bureau of Changchun Jingyue High-tech Industrial Development Zone*)) holding approximately 7.1875% of the Jilin Yuanheng Investment Capital.

The ultimate beneficial owners of the partners of Jilin Yuanheng are all PRC Governmental Bodies, and therefore the partners and their ultimate beneficial owners are Independent Third Parties according to Rule 14A.10 of the Listing Rules, and all partners of Jilin Yuanheng are principally engaged in the business of equity investment.

Jilin Liheng

Jilin Liheng is a limited liability partnership established in the PRC and is principally engaged in the business of equity investment.

The general partners are:

- (1) Changbaishan (which is ultimately owned as to approximately 90.2828% by Jilin SASAC and approximately 9.7172% by Jilin DOF) holding 1.1111% of the investment capital of Jilin Liheng (the “**Jilin Liheng Investment Capital**”); and
- (2) Modern Agricultural Fund holding approximately 1.1111% of the Jilin Liheng Investment Capital.

The limited partners are:

- (1) 長春潤城投資有限公司 (Changchun Runcheng Investment Co., Ltd.*) (which is owned as to approximately 51.8559% by Changchun SASAC and approximately 48.1441% by Changchun MFB) holding approximately 67.7778% of the Jilin Liheng Investment Capital;

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- (2) 吉林省股權基金投資有限公司 (Jilin Province Equity Fund Investment Co., Ltd.*) (which is wholly-owned by Jilin DOF) holding approximately 18.5185% of the Jilin Liheng Investment Capital; and
- (3) Nongtou holding approximately 11.4815% of the Jilin Liheng Investment Capital.

Modern Agricultural Fund is at the same time the general partner of Modern Agricultural PRC LLP, which in turn wholly owns Modern Agricultural Investment. Modern Agricultural Investment and Nongtou are controlling Shareholders. The ultimate beneficial owners of the partners of Jilin Liheng (except Modern Agricultural Fund and Nongtou) are all PRC Governmental Bodies, and therefore the partners (except Modern Agricultural Fund and Nongtou) and their ultimate beneficial owners are Independent Third Parties according to Rule 14A.10 of the Listing Rules, and all partners of Jilin Liheng are principally engaged in the business of equity investment.

3. Financial information of the Group

Review of financial performance

The table below sets out the audited financial information of the Group for the years ended 31 December 2021 and 31 December 2022 (the “**FY2021**” and “**FY2022**”), and unaudited financial information of the Group for the six months periods ended 30 June 2022 and 30 June 2023 (the “**HY2022**” and “**HY2023**”) extracted from the 2022 Annual Report and the 2023 Interim Report.

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	HY2023	HY2022	FY2022	FY2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment operated by the GSH Group:				
Corn sweeteners segment	193,661	154,972	359,567	727,325
Segment operated by the Group: (excluding the GSH Group):				
Upstream segment	90,332	–	801	791
Amino acid segment	378,474	90	5,351	1,492
Polyol chemicals segment	–	500	6,559	16,943
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenue	662,467	155,562	372,278	746,551
Gross (loss)/profit	(38,234)	11,719	34,597	48,351
Gross margin	– 5.8%	7.5%	9.3%	6.5%
Other income and gains	614,399	8,521	30,874	1,406,507
Operating expenses	(344,532)	(476,081)	(913,037)	(1,071,738)
Finance costs	(362,241)	(373,400)	(726,218)	(790,585)
Share of loss of a joint venture	–	–	–	(2,004)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss before tax	(130,608)	(829,241)	(1,573,784)	(409,469)
Income tax credit (expenses)	35,486	–	54,219	(25,920)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss after tax	(95,122)	(829,241)	(1,519,565)	(435,389)
Excluding one-off/non-recurring items:				
(a) Gain on de-recognition of a subsidiary, 哈爾濱大成生物科技股份有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) (“ Harbin Dacheng ”)	(588,747)	–	–	–
(b) Gain on debt restructuring	–	–	–	(1,325,031)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Adjusted loss after tax	(683,869)	(829,241)	(1,519,565)	(1,760,420)

LETTER FROM OCTAL CAPITAL

FY2021 vs FY2022

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

During FY2021 and most of the time in FY2022, the Group only maintained the production activities in the Shanghai site (operated by the GSH Group) and generated revenue of approximately HK\$727.3 million and HK\$359.6 million from the sale of corn sweeteners, respectively. During FY2021 and FY2022, around 97% of the revenue of the Group are contributed by the GSH Group because other three segments operated by the Group (excluding the GSH Group) have been suspended for production during FY2021 and FY2022. Until the mid of December 2022, the lysine operation of 長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.*), a wholly-owned subsidiary of the Company ("**Changchun Dahe**") resumed its production.

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

During FY2022, operating expenses decreased by approximately 14.8% to approximately HK\$913.0 million (FY2021: HK\$1,071.7 million). Such decrease was mainly attributable to (i) the decrease in depreciation expense by approximately HK\$10.8 million to approximately HK\$134.3 million (FY2021: HK\$145.1 million) as a result of loss on properties revaluation on buildings recorded in FY2021; (ii) the decrease in salary expense by approximately HK\$14.0 million to approximately HK\$47.1 million (FY2021: HK\$61.1 million) as a result of the effective cost control measures of the Group during FY2022; and (iii) a decrease in selling and distribution costs by approximately 37.5% to approximately HK\$39.7 million (FY2021: HK\$63.5 million) due to the decline in sales volume.

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

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

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HY2022 vs HY2023

The Group's revenue increased significantly by approximately 325.8% from approximately HK\$155.6 million for HY2022 to approximately HK\$662.5 million for HY2023. During the HY2023, the upstream segment and amino acid segment operated by Changchun Dahe contributed revenue of HK\$468.8 million while the corn sweeteners segment operated by the GSH Group contributed revenue of HK\$193.7 million. The improvement in revenue was due to the resumption of the Group's upstream and amino acid production from the mid December 2022. Upon the GSH Completion, the corn sweeteners segment will be carved out from the Group and the Group will focus on the upstream segment and amino acid segment.

For HY2023, the Group recorded a gross loss of approximately HK\$38.2 million which is mainly related to the upstream segment and amino acids segment with an aggregate gross loss of HK\$58.2 million while the corn sweeteners segment achieved gross profit of HK\$20.0 million. As the Group's lysine production facilities are currently in the initial stage of resumption where the overall utilization rate remained low, resulting in relatively higher unit costs. Therefore, the upstream segment and amino acids segment recorded gross loss for HY2023.

Meanwhile, operating expenses of the Group decreased by approximately 27.6% from approximately HK\$476.1 million for HY2022 to approximately HK\$344.5 million for HY2023. The reduction in the operating expenses are mainly attributable to the continuous suspension of the Group's other production facilities, except for the production of in Changchun Dahe and the Shanghai production site which have been resumed operation in HY2023.

The finance costs of the Group are maintained at a high level. The Group recorded finance costs of approximately HK\$362.2 million in HY2023, representing approximately 54.7% of the total revenue of the Group in the corresponding period.

During HY2023, the Group derecognized the assets and liabilities of Harbin Dacheng on 12 June 2023. Since one of the creditors of Harbin Dacheng submitted an application to the courts for winding up Harbin Dacheng, the application was subsequently accepted by the court. As a result of the loss of control on Harbin Dacheng, all assets and liabilities pertaining to Harbin Dacheng were de-recognized in the Company's consolidated financial statements, resulting a one-off gain of approximately HK\$588.7 million, which was recorded in other income and gains for HY2023.

As a result of the foregoing, the Group recorded adjusted loss after tax of approximately HK\$683.9 million in HY2023, as compared to that of approximately HK\$829.2 million in HY2022.

Review of financial position

Major items of the audited consolidated financial position of the Group as at 31 December 2021 and 2022, and the unaudited consolidated financial position of the Group as at 30 June 2023 extracted from 2022 Annual Report and 2023 Interim Report are summarized in the following table.

LETTER FROM OCTAL CAPITAL

	30 June 2023	As at 31 December 2022	31 December 2021
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	4,375,055	4,706,470	5,381,367
Other non-current assets	<u>425,921</u>	<u>455,863</u>	<u>509,140</u>
Non-current assets	4,800,976	5,162,333	5,890,507
Inventories	248,637	216,720	81,418
Trade receivables	136,258	59,845	112,211
Prepayments, deposits and other receivables	357,216	367,995	376,239
Cash and bank balance	63,679	41,766	21,810
Other current assets	<u>1,841</u>	<u>1,228</u>	<u>530</u>
Current assets	807,631	687,554	592,208
Total assets	5,608,607	5,849,887	6,482,715
Convertible bonds	–	–	938,855
Other non-current liabilities	<u>49,080</u>	<u>130,939</u>	<u>209,001</u>
Non-current liabilities	49,080	130,939	1,147,856
Trade payables	928,105	1,201,524	1,172,159
Interest-bearing bank and other borrowings	6,842,615	7,113,550	7,501,280
Convertible bonds	1,090,175	1,037,451	–
Other current liabilities	<u>4,186,509</u>	<u>4,153,479</u>	<u>3,362,245</u>
Current liabilities	13,047,404	13,506,004	12,035,684
Total liabilities	13,096,484	13,636,943	13,183,540
Net current liabilities	12,239,773	12,818,450	11,443,476
Net liabilities	7,487,877	7,787,056	6,700,825
Interest-bearing bank and other borrowings, and convertible bonds (current and non-current)	7,932,790	8,151,001	8,440,135
Gearing ratio ^{Note}	141.4%	139.3%	130.2%

Note: Gearing ratio represents the ratio of debts (i.e. total interest-bearing bank and other borrowings, and convertible bonds) to total assets.

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The total assets of the Group had been declining from approximately HK\$6,482.7 million as at 31 December 2021 to approximately HK\$5,608.6 million as at 30 June 2023, among of which the cash and bank balances increased from approximately HK\$21.8 million to approximately HK\$63.7 million. The Group slightly improved the cash position through obtaining new borrowings of approximately HK\$121.7 million during HY2023.

Due to the production resumption in the Shanghai site from the mid of 2022 and those of Changchun Dahe in the mid of December 2022, the inventory level rebounded from approximately HK\$81.4 million as at 31 December 2021 to approximately HK\$248.6 million as at 30 June 2023.

The total liabilities of the Group slightly decreased from approximately HK\$13,183.5 million as at 31 December 2021 to approximately HK\$13,096.5 million as at 30 June 2023, among of which the total amount of interest-bearing bank and other borrowings and convertible bonds, slightly decreased from approximately HK\$8,440.1 million to approximately HK\$7,932.8 million.

The Group's gearing ratio was approximately 139.3% and 141.4% as at 31 December 2022 and 30 June 2023, respectively. The high indebtedness and net liabilities position of the Group caused material uncertainty relating to going concern, leading to the disclaimer of opinion made by the auditor of the Company for the consolidated financial statements of the Group for FY2022.

Outlook of the Group

The amino acids segment of the Group consists of lysine, protein lysine and threonine products, which are widely used in animal feed products as an important nutrition additive. The China's GDP in the first three quarters of 2023 grew at around 5.2% on year-on-year basis, as compared to the average annual GDP growth rate in 2017 to 2019 of 6.6%. The economic activities in the PRC are recovering on a slower pace compared to the previous years. In the meantime, the Group's amino acid products are widely used by feed manufacturers, in particular swine producers. According to National Bureau of Statistics of China, the average swine price in the PRC in 2023 was approximately RMB15.9 per kilogram, representing a dramatic decline as compared that of 2022 (around RMB19.0 per kilogram), resulting in a significant reduction in the number of pigs in the pig-farming industry, in turn, caused a reduction in demand for lysine products. The rocky economy recovery in the PRC impacts the demand of meat products, in turn slowing down the recovery of demand in the amino acid product. Under such challenging business environment, the Group is closely monitoring the market conditions and is cautious in making decisions on the Group's resumption plan so as to optimize the utilization of the Group's production facilities.

Following the GSH Completion, the corn sweeteners segment will be carved out from the Group and the Group will only engage in the upstream segment and amino acid segment. Since the overall utilization rate of the upstream and amino acid segment remained low in HY2023, these two segments recorded gross loss. Coupled with the high finance cost burden of the Group (which is approximately HK\$362.2 million in HY2023), the Group recorded a substantial loss of HK\$683.9 million (excluding the one-off gain from de-recognition of Harbin Dacheng of HK\$588.7 million) during HY2023. On the other hand, the Group's interest-bearing bank and other borrowings, and convertible bonds (current and non-current portion) maintained at a high level of approximately HK\$7,932.8 million as at 30 June 2023. As disclosed in the 2023 Interim Report, the Company have been taken various

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measures including but not limited to (i) conducting the Debt Restructuring Arrangement; and (ii) negotiating with the relevant government department about the resumption of land and buildings in Luyuan District, Changchun owned by the Group with a view to obtain the compensation for repaying the loans due to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) of approximately RMB815.0 million. It will be a long negotiation process to finalize the terms of each settlement plan with banks and creditors. As a result, the Group's net liability position is expected to maintain for a period for time until the debt restructuring plan can be materialized.

Having considered the Group's latest business development, even though the upstream and amino acid segments of the Group have been improving, these two segments are striving to turnaround from its gross loss position. The Group's high debt level and heavy finance cost will only be improved until the debt restructuring plan of the Company could be completed successfully. Therefore, the financial conditions of the Group are weak and the business environment is difficult.

4. Reasons and benefits for the Subscription.

As set out in the Letter from the Board, the Company and Directors have considered the feasibility of debt financing. However, given that the Group recorded (i) finance costs of approximately HK\$362.2 million for HY2023, representing approximately 54.7% of the revenue of the Group for the corresponding period; and (ii) a high gearing ratio of approximately 130.2%, 139.3% and 141.4% for FY2021, FY2022 and HY2023, respectively. The Directors considered that debt financing will incur further interest expenses and leverage for the Group. Due to the increasing market rate of interest in the debt financing market and the high leverage status of the Group, the Directors are of the view that the Group may not be able to obtain new banking facilities on terms that are favorable or cost-effective and would place additional financial burden on the Group in view of its net liabilities position of approximately HK\$7,487.9 million as at 30 June 2023.

The Company and Directors have also considered the feasibility of conducting pre-emptive equity financing, for example, rights issue or open offer to existing Shareholders, and reached the view that they are less favorable than the issuance of the Subscription CPS, since (a) the time required for the Subscription is expected to be relatively shorter and would usually incur a lower transaction cost than rights issue or open offer which involve more documents (including listing documents) and procedures; and (b) if the rights issue or open offer cannot be fully underwritten, there is relatively higher uncertainty in the amount of fund raised by the Company, and given the fact the current Subscription Price is set at a premium to the average closing price per Share as quoted on the Stock Exchange for the last thirty trading days immediately before the Last Trading Day, the Shares to be offered in a rights issue or open offer offered to the existing Shareholders at such price will not be attractive, and therefore may result in a low participation rate of the existing Shareholders.

As such, equity financing by way of the Subscription is the most appropriate mean of raising additional capital as (i) it is more practicable and direct under volatile and uncertain global market conditions prevailing; and (ii) it is less costly and minimal financial burden is imposed given that the Company is only required to pay preferred distribution to the Subscribers for the Subscription CPS at a rate of not exceeding 5% per annum on the aggregate issue price of Subscription CPS.

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The Board is of the view that it is in the interest of the Group and the Shareholders as a whole to raise funds by the Subscription, which allows the Group to (i) improve its liquidity and strengthen its capital position; (ii) reduce the Group's gearing ratio so as to enhance the Group's debt financing capacities; and (iii) bring in new shareholders which has a state-owned background and could provide financial and business support to the Group through its extensive business and governmental network in the PRC.

The whole amount of the estimated net proceeds from the Subscription will be used for the settlement of the Debt Restructuring Arrangement. Based on the preliminary negotiation between the Company, Nongtou and Jilin Cinda, the aggregate outstanding principal amount owed by the Group to Jilin Cinda of approximately RMB4,267.8 million (approximately HK\$4,589.1 million) (comprising of (i) the loan then owed by the Group to 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) with an aggregate outstanding principal amount of approximately RMB1,100 million; (ii) the loans then owed by the Group to 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) with an aggregate outstanding principal amount of approximately RMB1,983.5 million; and (iii) the loan then owed by the Group to 中國進出口銀行 (The Export-Import Bank of China*) with an aggregate outstanding principal amount of approximately RMB1,184.3 million) shall be assigned to Nongtou at a haircut price (which is subject to the terms of the agreement to be entered among the relevant parties). The Group will then settle the amount with Nongtou which is preliminarily agreed to be not more than RMB1,580 million by utilizing the full amount of net proceeds from the Subscription. As at the Latest Practicable Date, no agreement has been entered into in relation to the Debt Restructuring Arrangement.

Indebtedness position of the Group

According to the 2023 Interim Report, the Group recorded finance costs of approximately HK\$362.2 million for HY2023, representing approximately 54.7% of the revenue of the Group for the corresponding period. As at 30 June 2023, the Group recorded net liabilities of HK\$7,487.9 million, which mainly consists of (i) interest-bearing bank and other borrowings of approximately HK\$6,842.6 million; (ii) Convertible Bonds of approximately HK\$1,090.2 million and (iii) other payables and accruals of approximately HK\$4,081.1 million. In addition, the Group's operating activities recorded net cash outflow of approximately HK\$144.1 million in HY2023 with cash and bank balance was only HK\$63.7 million as at 30 June 2023. As such, the Group was facing a high leverage status and is lack of financial resources to fulfil the repayment obligations of its borrowings.

Although after the GSH Completion, the Group will receive a cash consideration of approximately HK\$43.1 million, the amount of such proceeds is small as compared to its huge debt position and its contribution to reduce debt level is limited. Moreover, the operation in Changchun is expected to generate more cash inflow to the Group when its sales revenue improves but it will take some time before it can achieve this.

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We are of the view, upon the Subscription Completion and the completion of Debt Restructuring Arrangement, the Group's bank and other borrowings are expected to be reduced by approximately HK\$4,589.1 million. Accordingly, the total liabilities of the Group and the gearing position are expected to be improved significantly.

Having considered that the net liability and heavy cost burden of the Group, the Group should raise new funding for facilitating the Debt Restructuring Arrangement, which is a critical part of the debt restructuring plan of the Group.

Other financing methods

As disclosed in the Letter of the Board, the Directors considered that the debt financing will incur further interest expenses and leverage for the Group while the equity financing by way of Subscription is less costly and minimal financial burden is imposed given that the Company is only required to pay preferred distribution to the Subscribers for the Subscription CPS at a rate of not exceeding 5% per annum on the aggregate issue price of Subscription CPS.

As discussed in the above section, the Group have been loss-making for the past two years, in particular, the finance costs amounted to HK\$790.6 million and HK\$726.2 million which are even higher than the revenue of the respective years. Moreover, the Group recorded substantial net liabilities with gearing ratio up to 141.4% and is lack of valuable assets to be pledged as collateral for new bank borrowings. As discussed in the 2023 Interim Report, the Company has been in negotiation with its creditors to formulate the debt restructuring plan. Under such circumstance, we believe that it seems infeasible for the Group to obtain substantial bank borrowings with favorable terms at this stage.

The Subscription provides non-interest-bearing capital for the Debt Restructuring Arrangement and will not impose further interest burden on the Group. The preferred distribution rate of 5% is subject to the Board's sole discretion and not compulsory to pay to the Subscribers each year. The Subscription helps relieving the Group's cash flow pressure.

According to the laws of the Cayman Islands, the par value of the Shares of HK\$0.10 each is the minimum price for issuing new Shares by the Company. We have researched and identified a list of 16 rights issues transactions and 1 open offer transaction announced by the companies listed on the Main Board of the Stock Exchange during the recent six months from 1 June 2023 to the Last Trading Day. We noticed that the respective subscription prices of 16 transactions (out of the 17 transactions), represented discounts to the closing prices of their respective shares on their last trading days, of which the average discount of these 16 transactions is approximately 26.63%. We noticed that the subscription price of right issues and open offer conducted by the listed companies in Hong Kong are usually set at a discount to the prevailing trading price of shares. As such, we consider that the independent investors or the existing Shareholders may not find it attractive to participate in the Company's equity financing exercise (for example rights issue or open offer) by subscribing new Shares at a price much higher than the prevailing trading price, given the Group is at a prolonged loss-making and net liabilities position.

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We also discussed with the Directors about the feasibility of equity financing by way of open offer, rights issue, and issue of new Shares. The Directors are of the view that the high gearing position and loss-making performance of the Group together with the thin trading volume of the Shares (further detailed will be discussed below) makes it difficult to induce the existing public Shareholders and independent investors to invest in the Company and thus it will be uncertain whether the Group can raise sufficient funds for the Debt Restructuring Arrangement. Moreover, placing of new Shares may significantly dilute the current shareholding of the public Shareholders. We consider that equity financing by way of open offer, right issue and issue of new Shares are not feasible.

In contrast to the bank borrowings and other equity financing, the Subscription (i) will not incur any finance costs; and (ii) provides a certainty to the Group that the amount of funds to be received from the Subscribers, we are of the view that the Subscription is a preferred way to raise funds under the current circumstance of the Group.

On the other hand, as advised by the management of the Company, the fund-raising size of the Subscription is determined based on the preliminary negotiation between the Company and Nongtou regarding a haircut price of not more than RMB1,580 million which will be used to settle the aggregate outstanding principal amount owed by the Group to Jilin Cinda of approximately RMB4,267.8 million (approximately HK\$4,589.1 million). Assuming the haircut price of not more than RMB1,580 million could be materialized, we consider that the Subscription is able to provide sufficient funds for the Debt Restructuring Arrangement.

Having considered that (i) the heavy finance cost burden and the high leverage status of the Group; (ii) the Group's need for a substantial amount of new capital for the Debt Restructuring Arrangement; and (iii) the constraints in conducting other equity financing methods and obtaining new bank borrowings, we consider that the entering into of the Subscription Agreement is beneficial for the Group and in the interests of the Company and its Shareholders as a whole.

5. Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are summarized as below:

Date:	30 November 2023
Parties:	(a) the Company (as issuer); (b) Jilin Yuanheng (as subscriber); and (c) Jilin Liheng (as subscriber)
Number of Subscription CPS:	(a) such number of Yuanheng CPS (i.e. 2,777,777,777 Yuanheng CPS) that could be issued to Jilin Yuanheng by fully utilizing the Jilin Yuanheng Subscription Monies; and

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- (b) such number of Liheng CPS (i.e. 14,777,777,777 Liheng CPS) that could be issued to Jilin Liheng by fully utilizing the Jilin Liheng Subscription Monies.

Assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription CPS, adopting an exchange rate of HK\$:RMB=1:0.9 for illustration purpose only:

- (a) 2,777,777,777 Yuanheng CPS will be issued to Jilin Yuanheng representing approximately 10.50% of the issued share capital of the Company as enlarged only by the allotment and issue of the Conversion Shares immediately after full conversion of the Subscription CPS; and
- (b) 14,777,777,777 Liheng CPS will be issued to Jilin Liheng representing approximately 55.84% of the issued share capital of the Company as enlarged only by the allotment and issue of Conversion Shares immediately after the full conversion of the Subscription CPS.

Subscription Price:	HK\$0.10 per Subscription CPS.
Proceeds:	By adopting an exchange rate of HK\$:RMB=1:0.9 for illustration purpose only, the aggregate Subscription Monies for the Subscription CPS is RMB1,580,000,000 (equivalent to approximately HK\$1,755,555,555.56) in cash.
Disposal and lock-up restrictions:	Each of the Subscribers has undertaken and agreed that, subject to and conditional upon the Subscription Completion, it shall not, without the prior written consent of the Company and whether directly or indirectly, at any time during the period of twelve (12) months immediately following the Subscription Completion Date.
Ranking of the Subscription CPS:	The Subscription CPS shall rank, upon issue, <i>pari passu</i> in all respect among themselves and with the CPS in issue as at the date of allotment and issue of the Subscription CPS.
Listing of the Subscription CPS:	The Subscription CPS will not be listed on the Stock Exchange.

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The key terms of the Subscription CPS are summarized as follow:

Issuer:	the Company
Par value:	HK\$0.10 each
Subscription amount:	100% of the aggregate nominal amount of the Subscription CPS (i.e. RMB 1,580,000,000, representing the Jilin Yuanheng Subscription Monies of RMB250,000,000 and the Jilin Liheng Subscription Monies of RMB1,330,000,000)
Preferred Distribution:	Subject to compliance with all applicable laws and the Articles, each Subscription CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the Subscription CPS at a rate of not exceeding 5% per annum on the aggregate issue price of the Subscription CPS, payable annually in arrears. Each preferred distribution is non-cumulative.
Conversion Rights:	The Subscription CPS shall be convertible at the option of the holder thereof at any time after twelve (12) months from the date of issue of the Subscription CPS and without the payment of any additional consideration therefor, into such number of fully-paid Shares as determined in accordance with the Conversion Ratio.
Conversion Ratio:	The rate for conversion of the Subscription CPS into Shares on a one for one basis.
Redemption:	Subject to the consent of the relevant holder(s) of the Subscription CPS, the Company may redeem part or all of the Subscription CPS at a price equal to the Subscription Price per each Subscription CPS by giving not less than 30 days' written notice to the holders of the Subscription CPS.

For further details of the terms of the Subscription Agreement and the Subscription CPS, please refer to the Letter from the Board.

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Analysis of the Subscription Price and Conversion Price

The rate for conversion of the Subscription CPS into the Shares is on a one for one basis, indicating that the Conversion Price is same as the Subscription Price of HK\$0.10 per Subscription CPS. To assess the fairness and reasonableness of both Subscription Price and the Conversion Price, we set out the following analyses:

	Price per Share at approximately	The Subscription Price and Conversion Price represents a premium/ (discount) over approximately
i. The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	HK\$0.075	33.3%
ii. The closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day	HK\$0.056	78.6%
iii. The average closing price of the Shares as quoted on the Stock Exchange for the last five trading days up to and immediately before the Last Trading Day	HK\$0.056	78.6%
iv. the average closing price per Share as quoted on the Stock Exchange for the past twelve months up to and immediately before the Last Trading Day	HK\$0.107	(6.5)%
v. The unaudited consolidated net liabilities attributable to the Shareholders of approximately HK\$0.812 per Share as at 30 June 2023 (based on unaudited deficit attributable to owners of the Company of approximately HK\$7,231.3 million as at 30 June 2023 and 8,907,405,717 Shares in issue as at the Latest Practicable Date)	N/A	A premium of HK\$0.912
vi. The audited consolidated net liabilities attributable to the Shareholders of approximately HK\$0.846 per Share as at 31 December 2022 (based on audited deficit attributable to owners of the Company of approximately HK\$7,539.0 million as at 31 December 2022 and 8,907,405,717 Shares in issue as at the Latest Practicable Date)	N/A	A premium of HK\$0.946

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As illustrated from the above table, the Subscription Price of HK\$0.10 per Subscription CPS represents a material premium to the recent market price of the Shares and the deficit attributable to owners of the Company per Share as at 31 December 2022 and 30 June 2023.

(i) ***Historical price performance of the Shares***

We review the closing price level of the Shares during the 12 months period from 1 December 2022 to the Last Trading Day (the “**Pre-Announcement Period**”), which is a period covering the annual operating cycle of the Group and different market conditions prior to the Last Trading Day for analysis purpose. We also reviewed the closing price level for the period from 1 December 2023 to the Latest Practicable Date (the “**Post-Announcement Period**”). We consider that the duration of the Pre-Announcement Period and the Post-Announcement Period (collectively the “**Review Period**”) is slightly more than one year which is a sufficient period to illustrate the general trend and level of movement of the closing prices of the Shares. The comparison of the performance of the Share price with both the Subscription Price and the Conversion Price for Pre-Announcement Period and the Post-Announcement Period is illustrated below.



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

As demonstrated in the above chart, during the Pre-Announcement Period, the Shares traded at a price ranging from HK\$0.051 per Share to HK\$0.161 per Share. The average closing price per Share during the Pre-Announcement Period was approximately HK\$0.107 per Share and the Subscription Price represents a slight discount of approximately 6.5% to such average price.

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The price of the Shares maintained at around HK\$0.160 during the period from November 2022 to the mid of February 2023. Subsequently, the price of the Shares started to decline from HK\$0.155 per Share on 21 February 2023 with a downward trend and dropped to HK\$0.082 per Share on 13 June 2023. Afterwards, the price of Shares bounced back to HK\$0.101 per Share on 5 July 2023 and dropped to HK\$0.056 per Share on the Announcement Date. During the Pre-Announcement Period, among 120 trading days of 244 total trading days, the Shares were trading below the Subscription Price.

During the Post-Announcement Period, the price of the Shares have been moving with the range between HK\$0.056 and HK\$0.075 per Share. The short-term increase in the Share price after the date of the Announcement may reflect the market anticipation of the favorable effects to be brought by the Subscription. The Subscription Price represented a premium of approximately 33.3% over the closing price of Shares of approximately HK\$0.075 per Share on the Latest Practicable Date. Since the Subscription Price is determined with reference to the trading price of Shares for the twelve months before the Last Trading Day, our analysis focuses on reviewing the level of trading price for the Pre-Announcement Period and the trading price of the Shares for the Post-Announcement Period is provided for the Independent Shareholders' reference only.

In light of the historical price performance of the Shares, the price of the Shares has been trading below the Subscription Price since 6 July 2023. The Subscription Price represented (i) a premium of approximately 43.3% over the average closing price of Shares during the period from 6 July 2023 to the Last Trading Day; and (ii) a premium of approximately 78.6% over the closing price of the Shares on the Last Trading Day of HK\$0.056 per Share; we consider that the Subscription Price is fair and reasonable.

(ii) *Historical trading liquidity of the Shares*

We reviewed the historical trading volume of the Shares. During the Pre-Announcement, the average daily trading volume of each month was falling to the range between 381,294 Shares to 2,284,571 Shares, representing approximately 0.01% to 0.07% of the total number of issued Shares held by public Shareholders for the respective months, which may imply a lack of interest from potential public investors in the Shares and there is low level of market depth for trading of Shares. As such, the Company may find it difficult in attracting independent investors and the existing Shareholders to participate in equity financing transactions and the amount of fund to be raised by the Company will be uncertain. As such, the relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing transaction in the stock market.

(iii) *Price-earnings ratio ("P/E Ratio"), Price-to-book ratio ("P/B Ratio") and Price-to-sales ratio ("P/S Ratio")*

We have attempted to assess the fairness and reasonableness of the Subscription Price from the perspective of the P/E Ratio and P/B Ratio. P/E Ratio analysis is a common approach in valuing profit-generating entity. However, due to the fact that the Group recorded loss after tax of approximately HK\$1,519.6 million for FY2022, P/E ratio is not applicable for our analysis.

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On the other hand, P/B Ratio is commonly used in valuing asset-intensive entity. As disclosed in the 2023 Interim Report, the Group recorded property, plant and equipment of approximately HK\$4,375.1 million, representing around 78.0% of the total assets of the Group, indicating the Group is asset-intensive enterprise. However, the Group is heavily-indebted with total bank and other borrowings of approximately HK\$6,482.6 million, leading to the net liabilities of approximately HK\$7,487.9 million as at 30 June 2023. Under such financial conditions, the P/B Ratio analysis is not applicable for our analysis. However, the Shareholders should notice that the Subscription Price represents a significant premium over the consolidated net liabilities attributable to Shareholders of approximately HK\$0.812 per Share as at 30 June 2023, thus we considered that the Subscription Price is favorable to the Company.

On the other hand, we consider to assess the Subscription Price with reference to the P/S Ratio, which is calculated by dividing the market capitalization of a company by its sales revenue and is another common valuation method to value the market value of a non-profitable listed company. Despite the Group recorded revenue of approximately HK\$359.6 million, we noticed that around 96.5% of the revenue of the Group for FY2022 was contributed by the GSH Group. Upon the GSH Completion, the business of the GSH Group will be carved out from the Group and the revenue of the Group will be derived from the upstream products and the amino acids. The FY2022 revenue of the Group is no longer representing the revenue structure of the Group (excluding the GSH Group) after the GSH Completion. As such, we consider that the P/S Ratio is not a meaningful analysis to justify the fairness and reasonableness of the Subscription Price.

(iv) Comparison with issuance of convertible preference shares by other listed companies

In order to assess the fairness and reasonableness of the major terms of the Subscription CPS, we have conducted a research to identify transactions with the issuance of convertible preference shares with the following criteria (i) the company is listed on the Main Board of the Stock Exchange; (ii) the listed company has announced issuance/subscription of convertible preference shares under specific mandate to independent third parties or connected persons during the 24 month period between 1 December 2021 and the Last Trading Day; and (iii) the listed company has not be suspended the trading of the relevant shares more than one month prior to the relevant announcement. Based on the above criteria, we identified an exhaustive list of three transactions. Accordingly, we have extended our research to cover the period from 1 December 2019 to the Last Trading Day, covering a period of 48 months. Based on such criteria, we have identified an exhaustive list of six transactions (the “**Comparable Transactions**”). We considered that the comparison period of 48 months is appropriate since it provided more number of samples for our analysis purpose.

Although the business, operation and prospect of the Company are not same as the listed issuers of the Comparable Transactions, we consider that these Comparable Transactions allow the Shareholders to have a general understanding on the terms of convertible preference shares issued by the listed issuers in the Stock Exchange under the then prevailing market condition

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and sentiment, and they are suitable reference cases for assessing the fairness and reasonableness of the key terms of the Subscription CPS. The following table sets forth the relevant details of the Comparable Transactions.

Date of announcement	Stock code	Company name	Principal business	Market capitalization (Note 8) (HK\$ million)	Premium/(discount) of conversion price over/(to)		Preferential dividend rate per annum on the respective subscription price or conversion price	Number of ordinary shares to be issued upon conversion of the convertible preference shares/the proportion of the newly issued shares to the number of issued shares (Note 9) (Number of shares/ %)
					the closing price per share on the last trading day prior to/ on the date of the announcement (the "5- Day Premium/ (Discount)")	the average closing price per share for the last five consecutive trading days up to/prior to the date of the announcement (the "5- Day Premium/ (Discount)")		
9 September 2022	286	Aidigong Maternal & Child Health Limited	Provision of postpartum care services and precision life healthcare services in the PRC	2,503	20.7	25.0	4.00 (Note 2)	374,531,836/ 8.7
5 August 2022	1831	ShiFang Holding Limited	Provision of integrated tourism services, and publishing and advertising services in the PRC	660	(18.6)	45.0	Nil	383,636,331/ 40.7
27 May 2022	1020	Cybernaut International Holdings	Money-lending, e-commerce and internet education business	572	4.2	2.0	Nil	933,333,000/ 23.5
28 October 2021 (Note 7)	1359	China Cinda Asset Management Co., Ltd.	Distressed asset management and financial services	17,774	245.0	253.1	4.40 (Note 1 & 3)	2,915,650,442/ 7.6
17 September 2020	1398	Industrial and Commercial Bank of China Limited	Provision of banking services	369,743	34.5	36.8	3.58 (Note 1 & 4)	6,037,015,963/ 1.7
27 February 2020	3988	Bank of China Limited	Provision of banking services	260,065	45.3	44.9	3.60 (Note 1 & 5)	6,802,721,088/ 2.3
Six Comparable Transactions								
Maximum					245.0	253.1	4.40	
Minimum					(18.6)	2.0	3.58	
Average					55.2	67.8	3.90	
Median					27.6	40.8	3.80	
Five Comparable Transactions (excluding the conversion price of the outlier for analysis)								
Maximum					45.3	45.0	4.40	
Minimum					(18.6)	2.0	3.58	
Average					17.2	30.7	3.90	
Median					20.7	36.8	3.80	
the Company					499	78.6	78.6	5.0

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

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Notes:

1. We adopted the initial preferential dividend rate for comparison purpose.
 2. The preferential dividend rate is fixed and cumulative.
 3. The preferential dividend rate, which is fixed and non-cumulative, is subject to adjustment after a period of time and is capped at 8.41%.
 4. The preferential dividend rate, which is fixed and non-cumulative, is subject to adjustment after a period of time and is capped at 13.42%.
 5. The preferential dividend rate, which is fixed and non-cumulative, is subject to adjustment after a period of time and is capped at 12.15%.
 6. The subscribers of ShiFang Holding Limited and Cybernaut International Holdings are connected persons, while the subscribers of other four Comparable Transactions are independent third parties.
 7. The conversion price of China Cinda Asset Management Co., Ltd. represented a significant premium to the then trading price of its shares. This transaction has been considered as an outlier and is excluded in the analysis of the conversion price.
 8. With reference to the data disclosed in the respective announcement, the market capitalization is calculated by multiplying the share price as at the last trading day and the total number of issued shares (including H Shares only) as at the respective announcement date.
 9. The total number of issued shares includes H shares, A Shares and domestic shares.
- (i) Analysis on the Conversion Price

The Conversion Price of HK\$0.10 represented a premium of 78.6% as compared to the closing price of the Shares on the Last Trading Day. Such premium is higher than the average and median of LTD Premium/(Discount) of the Comparable Transactions.

The Conversion Price of HK\$0.10 represented a premium of 78.6% as compared to the average closing price of the Shares for last five trading days up to and immediately before the Last Trading Day. Such premium is higher than the average and median of 5-Day Premium/(Discount) of the Comparable Transactions.

We noticed that the conversion price of China Cinda Asset Management Co., Ltd. represented a significant premium to the then trading price of its shares. This transaction has been considered as an outlier. Excluding the result of the outlier, among the remaining five Comparable Transactions, the premium of 78.6% represented by the Conversion Price is higher than the maximum LTD Premium/(Discount) and the maximum 5-Day Premium/(Discount) of the five Comparable Transactions.

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(ii) Analysis on the Preferred Distribution

Among the six Comparable Transactions, two of them did not offer the preferential dividends to the holders of convertible preference shares. The preferential dividend rate of Aidigong Maternal & Child Health Limited is 4.0% which is fixed and cumulative in nature and thus such term has imposed contractual obligation on the issuer to pay or accrue preferential dividends to the holders of convertible preference shares.

The preferential dividend rates of the Comparable Transactions conducted by the three financial institutions (China Cinda Asset Management Co., Ltd., Industrial and Commercial Bank of China Limited and Bank of China Limited) are initially set at 4.4%, 3.58% and 3.6%, respectively and they are fixed and non-cumulative in nature.

The preferential distribution rate of Subscription CPS is non-fixed and non-cumulative, and such term will not impose any contractual obligations on the Company to pay any fixed amount of dividends to the Subscribers. If the Company is capable to declare dividend to the holders of Subscription CPS, the distribution should not exceed 5% per annum on the aggregate issue price of the Subscription CPS.

Having considered that (i) the Conversion Price represents a material premium as compared to the closing price of the Shares on the Last Trading Day and are higher than the average and median of LTD Premium/(Discount) of the Comparable Transactions; (ii) the Conversion Price represents a material premium as compared to the average closing prices of the Shares for last five trading days up to and immediately before the Last Trading Day and are higher than the average and median of 5-Day Premium/(Discount) of the Comparable Transactions; (iii) excluding the result of the outlier, among the remaining five Comparable Transactions, the premium of 78.6% represented by the Conversion Price is higher than the maximum LTD Premium/(Discount) and the maximum 5-Day Premium/(Discount) of the five Comparable Transactions; and (iv) the preferred distribution of Subscription CPS is non-fixed and non-cumulative and the Company has no contractual obligations to pay any dividends to the holders of Subscription CPS, the terms of Subscription CPS are fair and reasonable.

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6. Possible dilution effect

Assuming that there is no other change in the issued share capital of the Company and adopting an exchange rate of HK\$:RMB=1:0.9 for illustration purpose only, the effect of the Subscription on the shareholding structure of the Company immediately upon the Subscription Completion in the case of (i) no conversion of the Subscription CPS and the Convertible Bonds; (ii) full conversion of the Subscription CPS (but no conversion of the Convertible Bonds); (iii) full conversion of the Convertible Bonds (but no conversion of the Subscription CPS); and (iv) full conversion of the Subscription CPS and the Convertible Bonds is as follows:

	As at the Latest Practicable Date		Immediately following the Subscription Completion, assuming							
			(i) no conversion of the Subscription CPS; and (ii) no conversion of the Convertible Bonds		(i) full conversion of the Subscription CPS; and (ii) no conversion of the Convertible Bonds		(i) no conversion of the Subscription CPS; and (ii) full conversion of the Convertible Bonds		(i) full conversion of the Subscription CPS; and (ii) full conversion of the Convertible Bonds	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Subscribers										
Jilin Yuanheng	-	-	-	-	2,777,777,777	10.50	-	-	2,777,777,777	8.78
Jilin Liheng	-	-	-	-	14,777,777,777	55.84	-	-	14,777,777,777	46.72
Subtotal	-	-	-	-	17,555,555,554	66.34	-	-	17,555,555,554	55.50
Other substantial Shareholders										
Modem Agricultural										
Investment	3,135,509,196	35.20	3,135,509,196	35.20	3,135,509,196	11.85	8,308,269,029	59.01	8,308,269,029	26.26
HK Bloom Investment										
Limited (Note 1)	2,508,407,357	28.16	2,508,407,357	28.16	2,508,407,357	9.48	2,508,407,357	17.82	2,508,407,357	7.93
Director										
Mr. Wang Guicheng	500,000	0.01	500,000	0.01	500,000	0.00	500,000	0.00	500,000	0.00
Public Shareholders	3,262,989,164	36.63	3,262,989,164	36.63	3,262,989,164	12.33	3,262,989,164	23.17	3,262,989,164	10.31
Total	8,907,405,717	100.00	8,907,405,717	100.00	26,462,961,271	100.00	14,080,165,550	100.00	31,635,721,104	100.00

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Notes:

1. HK Bloom Investment Limited is beneficially owned as to 50% by Mr. Li Zhenghao and 50% by Ms. Sun Zhen.
2. This table is for illustrative purpose only. While the Subscribers are ultimately controlled by PRC Governmental Bodies of Jilin Province, for the purpose of the Public Float Requirement, the Conversion Shares held by the Subscribers upon conversion of the Subscription CPS will not be regarded as public float. Pursuant to the terms of the Subscription CPS and the Convertible Bonds, the conversion rights must not be exercised to such an extent that the public float of the Shares shall become less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in breach of the Public Float Requirement.
3. The aggregate of the percentage figures in the table above may not add up to the total percentage figures shown due to rounding of the percentage figures.

As illustrated in the table above, the shareholding in the Company held by existing public Shareholders is 36.63% as at the Latest Practicable Date and there will be no immediate dilution effect on the shareholding of the existing public Shareholders by issuing the Subscription CPS upon the Subscription Completion. Pursuant to the terms of the Subscription Agreement, the conversion right of the Subscription CPS could only be exercised after 12 months from the date of issue of the Subscription CPS and must not be exercised to such an extent that the public float of the Shares shall not be less than 25%. As such, the shareholding of the existing public Shareholders may only be reduced to 25.0% upon partial conversion of the Subscription CPS.

In view of the (i) the reasons for and benefits for the Subscription as discussed above; (ii) the terms of the Subscription CPS are fair and reasonable; and (iii) the positive financial impact to the Group upon the Subscription Completion, we are of the view that the aforesaid level of dilution under various scenarios to the shareholding interests of the Independent Shareholders are justifiable.

LETTER FROM OCTAL CAPITAL

7. Financial effect of the Subscription

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

(a) *Effects on net liabilities*

As disclosed in the 2023 Interim Report, the Group had unaudited consolidated net liabilities of approximately HK\$7,487.9 million as at 30 June 2023. Upon the Subscription Completion, the net proceeds of the Subscription are estimated to be HK\$1,745.0 million and will be used for the repayment of the Debt Restructuring Arrangement. Upon the completion of the Debt Restructuring Arrangement, the Group's bank and other borrowings are expected to be reduced by approximately HK\$4,589.1 million. Hence, the net liabilities of the Group are expected to be improved.

(b) *Effect on gearing ratio*

As at 30 June 2023, the gearing ratio of the Group, which is calculated based on total debt (i.e. total interest-bearing bank and other borrowings and convertible bonds) to the total assets of the Group, was approximately 141.4%.

Upon the Subscription Completion and the completion of the Debt Restructuring Arrangement, assuming that (i) the total assets of the Group remains at HK\$5,608.6 million as at 30 June 2023; and (ii) the total interest-bearing bank and other borrowings, and convertible bonds (current and non-current) will be reduced by approximately HK\$4,589.1 million to HK\$3,343.7 million, the gearing ratio is estimated to be approximately 59.6%. Such calculation is purely for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Subscription Completion and completion of the Debt Restructuring Arrangement.

(c) *Effect on the finance costs*

Upon the Subscription Completion, the net proceeds will be used for the repayment of the Debt Restructuring Arrangement. The interest-bearing bank and other borrowings of the Group are expected to be reduced and the Subscription CPS is non-interest-bearing. Accordingly, the finance cost of the Group is expected to be lowered.

LETTER FROM OCTAL CAPITAL

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that although the entering into the Subscription Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Subscription Agreement are on normal commercial terms. The Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

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

Save as disclosed above, to the best of the knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to 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); (ii) entered, pursuant to section 352 of the SFO, in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Wang Cheng, an executive Director, is also the chairman of Nongtou whose interest in the Shares or underlying Shares were disclosed in the subparagraph headed (b) Substantial Shareholders' Interests in Share and Underlying Shares below.

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

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

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

Name of Shareholder	Capacity/ nature of interest	Number of Shares held <i>(Note 1)</i>	Percentage of the Company's issued share capital
Jilin SASAC	Interest of a controlled corporation <i>(Note 2)</i>	25,863,824,583 (L) <i>(Notes 3 & 7)</i>	290.36
Modern Agricultural Fund	Interest of a controlled corporation <i>(Note 2)</i>	23,086,046,806 (L) <i>(Notes 3 & 6)</i>	259.18
Nongtou	Interest of a controlled corporation <i>(Note 2)</i>	23,086,046,806 (L) <i>(Notes 3 & 6)</i>	259.18
Changbaishan	Interest of a controlled corporation <i>(Note 7)</i>	17,555,555,554 (L) <i>(Note 8)</i>	197.09
Jilin Liheng	Beneficial owner	14,777,777,777 (L)	165.90
Modern Agricultural	Beneficial owner <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
Modern Agricultural Industry Investment Holdings Limited ("Modern Agricultural Holdings")	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27
Modern Agricultural PRC LLP	Interest of a controlled corporation <i>(Note 2)</i>	8,308,269,029 (L) <i>(Note 3)</i>	93.27

Name of Shareholder	Capacity/ nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Jilin Yuanheng	Beneficial owner	2,777,777,777 (L)	31.19
HK Bloom Investment Limited ("HK Bloom")	Beneficial owner	2,508,407,357 (L)	28.16
Li Zhenghao	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Sun Zhen	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Bank of Jilin Co., Ltd	Person having a security interests in shares (Note 5)	1,749,858,609 (L)	19.64

Notes:

- The letter "L" denotes the Shareholders' long position in the Shares.
- The entire issued share capital of the Modern Agricultural is held by Modern Agricultural Holdings which is in turn wholly-owned by Modern Agricultural PRC LLP. The sole general partner of Modern Agricultural PRC LLP is Modern Agricultural Fund. As at the Latest Practicable Date, the investment capital of Modern Agricultural PRC LLP is owned as to 60.0% by Nongtou (Nongtou is controlled by Jilin SASAC), as to 26.7% by Yinhua Capital and as to 13.3% by Changchun Investment Fund. Accordingly, each of Modern Agricultural Holdings, Modern Agricultural PRC LLP, Modern Agricultural Fund, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by the Modern Agricultural in the Company under the SFO.
- These interests include (i) 3,135,509,196 Shares and (ii) the Convertible Bonds which may be converted into 5,172,759,833 new Shares upon full conversion based on the adjusted conversion price of HK\$0.21 per conversion Share.
- Mr. Li Zhenghao and Ms. Sun Zhen are deemed to be interested in 28.16% of interest in the Company through their interest in 2,508,407,357 Shares as interest in controlled corporation, namely, HK Bloom.
- Bank of Jilin Co., Ltd is a person having a security interest in Shares.
- As at the Latest Practicable Date, Modern Agricultural Fund is wholly-owned by Nongtou, which is in turn controlled by Jilin SASAC. Modern Agricultural Fund is a general partner of Jilin Liheng. Accordingly, Modern Agricultural Fund, Nongtou and Jilin SASAC are deemed to be interested in the Liheng CPS which may be converted into 14,777,777,777 new Shares upon full conversion.

7. Changbaishan is the general partner of both Jilin Liheng and Jilin Yuanheng, and is deemed to be interested in the Liheng CPS and Yuanheng CPS held by Jilin Liheng and Jilin Yuanheng, respectively, under the SFO. As at the Latest Practicable Date, Changbaishan is owned as to approximately 90.28% by Jilin SASAC. Accordingly, Changbaishan and Jilin SASAC are deemed to be interested in the Subscription CPS held by Jilin Liheng and Jilin Yuanheng, which may be converted into 17,554,555,554 new Shares upon full conversion, respectively.
8. These interests include the Liheng CPS and Yuanheng CPS which may be converted into 14,777,777,777 new Shares and 2,777,777,777 new Shares respectively upon full conversion.

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

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

None of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

Save for (i) Mr. Wang Cheng's interest in (a) the agreement dated 1 November 2023 and entered into between the Company (for itself and on behalf of the Group) and Nongtou (for itself and on behalf of its subsidiaries from time to time (the "**Nongtou Group**")) in relation to the supply of corn kernels by the Nongtou Group to the Group (the "**2023 Master Supply Agreement**") and (b) the Subscription Agreement due to his positions as both an executive Director and the chairman of Nongtou; and (ii) Mr. Li Yuewen's interests in the Subscription Agreement due to his positions as both a non-executive Director and the deputy general manager of Changchun Investment Fund, none of the Directors was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group as at the Latest Practicable Date. Please refer to the announcement of the Company dated 1 November 2023 and the circular of the Company dated 6 December 2023 for further details of the 2023 Master Supply Agreement.

4. SERVICE AGREEMENT

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

5. MATERIAL ADVERSE CHANGE

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

As disclosed in the joint announcement of the Company and GSH dated 25 August 2023, the loans owed by 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) (“**Jinzhou Yuancheng**”), an indirect non-wholly-owned subsidiary of the Company and an indirect wholly-owned subsidiary of GSH, to 錦州銀行股份有限公司鐵北支行 (Tiebei Branch of Bank of Jinzhou Co., Ltd.*) (“**Tiebei BOJ**”) pursuant to the loan agreements respectively dated 25 August 2020 and 27 December 2021 entered into between Jinzhou Yuancheng and Tiebei BOJ (the “**Tiebei BOJ Loans**”) have become immediately due and payable. The Tiebei BOJ Loans are secured by mortgage of certain properties owned by Jinzhou Yuancheng, and also guaranteed by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*), an indirect wholly-owned subsidiary of GSH. Jinzhou Yuancheng has defaulted in the repayment of the Tiebei BOJ Loans. As at the Latest Practicable Date, the outstanding principal amount under the Tiebei BOJ Loans is RMB212.5 million.

6. COMPETING INTEREST

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

7. QUALIFICATIONS AND CONSENT OF EXPERT

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

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

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

As at the Latest Practicable Date, Octal Capital was not beneficially interested in any share capital of any member of the Group or have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or have any direct or indirect interest in any assets which since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or lease to, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

8. DOCUMENT ON DISPLAY

Copy of the Subscription Agreement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.globalbiochem.com) during the period from the date of this circular and up to and including the date of the EGM.

9. GENERAL

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

With a view to (i) incorporate relevant the terms of the CPS into the existing Memorandum and Articles and (ii) reflect the authorised share capital of the Company after the Increase of Authorised Share Capital becomes effective, the Board proposes the Proposed Amendments. A special resolution will be proposed at the EGM to approve the Proposed Amendments.

PROPOSED AMENDMENTS TO THE MEMORANDUM

	Currently in force	Proposed to be amended as
Memorandum number	Memorandum of association	
8.	<p>“The share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 shares of a nominal or par value of HK\$0.10 each, with power for the Company insofar as is permitted by law to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Act (as revised) and the Articles of Association and to issue any part of its capital...”</p>	<p>“The share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 shares of a nominal or par value of HK\$0.10 each, <u>HK\$6,000,000,000 divided into (i) 30,000,000,000 Ordinary Shares of a nominal or par value of HK\$0.1 each; and (ii) 30,000,000,000 Preferred Shares of a nominal or par value of HK\$0.1 each,</u> with power for the Company insofar as is permitted by law to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Act (as revised) and the Articles of Association and to issue any part of its capital...”</p>

PROPOSED AMENDMENTS TO THE ARTICLES

	Currently in force	Proposed to be amended/added as
Article number	Articles of association	
1.(A)	–	<p>““Ordinary Share” shall mean an <u>ordinary share of a nominal or a par value of HK\$0.1 each in the share capital of the Company;</u>”</p>
	–	<p>““Preferred Share” shall mean a <u>non-voting convertible preference share of a nominal or a par value of HK\$0.1 each in the share capital of the Company, the terms of which are set out in the Schedule of these Articles;</u>”</p>

	Currently in force	Proposed to be amended/added as
Article number	Articles of association	
		<u>“Schedule” means the Schedule to these Articles, which shall form part of these Articles;</u>
	“share” shall mean a share in the share capital of the Company and includes stock except where a distinction between stock and shares is expressed or implied;”	“share” shall mean a share in the share capital of the Company, <u>including an Ordinary Share and a Preferred Share, or either one of them as the context may require,</u> and includes stock except where a distinction between stock and shares is expressed or implied;”
5.(A)	“If at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class...”	“If at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act <u>and the Schedule to these Articles,</u> be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class...”
6.	“The authorised share capital of the Company on the date of the adoption of these Articles is HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.1 each.”	“The authorised share capital of the Company on the date of the adoption of these Articles is HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.1 each <u>HK\$6,000,000,000 divided into (i) 30,000,000,000 Ordinary Shares of a nominal or par value of HK\$0.1 each; and (ii) 30,000,000,000 Preferred Shares of a nominal or par value of HK\$0.1 each.</u> ”

	Currently in force	Proposed to be amended/added as
Article number	Articles of association	
8.	<p>“Any new shares shall be issued upon such terms and conditions and with such rights, privileges or restrictions attached thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, subject to the provisions of the Statutes and of these Articles, as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special right or without any right of voting. The Company may, subject to the provisions of the Statutes, issue shares which are, or at the option of the Company or the holders are liable, to be redeemed.”</p>	<p>“Any new shares shall be issued upon such terms and conditions and with such rights, privileges or restrictions attached thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, subject to the provisions of the Statutes and of these Articles, as the Directors shall determine; and in particular such shares may, <u>subject to the Schedule to these Articles</u>, be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special right or without any right of voting. The Company may, subject to the provisions of the Statutes, issue shares which are, or at the option of the Company or the holders are liable, to be redeemed.”</p>
15.	<p>“Subject to the Companies Act, the power of the Company to purchase or otherwise acquire its shares (including its redeemable shares) and warrants or other securities for the subscription or purchase of its own shares (including redeemable shares) shall be exercisable by the Directors upon such terms and subject to such conditions as they think fit and any determination by the Board of the manner of purchase shall be deemed authorised by these Articles for purposes of the Companies Act....”</p>	<p>“Subject to the Companies Act <u>and the Schedule to these Articles</u>, the power of the Company to purchase or otherwise acquire its shares (including its redeemable shares) and warrants or other securities for the subscription or purchase of its own shares (including redeemable shares) shall be exercisable by the Directors upon such terms and subject to such conditions as they think fit and any determination by the Board of the manner of purchase shall be deemed authorised by these Articles for purposes of the Companies Act....”</p>
75.(A)	<p>“Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every shareholder present in person...”</p>	<p>“Subject to <u>the Schedule to these Articles and</u> any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every shareholder present in person...”</p>

	Currently in force	Proposed to be amended/added as
Article number	Articles of association	
151.(A)	“The Directors may subject to Article 152 from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the financial conditions and the profits of the Company and, in particular but without prejudice to the generality of the foregoing...”	“The Directors may subject to Article 152 <u>and the Schedule to these Articles,</u> from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the financial conditions and the profits of the Company and, in particular but without prejudice to the generality of the foregoing...”
151.(C)	“The Directors may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company (including share premium) as they think fit...”	“ <u>Subject to the Schedule to these Articles,</u> the Directors may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company (including share premium) as they think fit...”
152.(A)	“No dividend shall be declared or paid or shall be made otherwise than in accordance with the Statutes.”	“No dividend shall be declared or paid or shall be made otherwise than in accordance with the Statutes <u>and these Articles.</u> ”
152.(B)	“Subject to the provisions of the Companies Act (but without prejudice to paragraph (A) of this Article), where any asset, business or property is bought by the Company as from a past date...”	“Subject to the provisions of the Companies Act (but without prejudice to paragraph (A) of this Article <u>and the Schedule to these Articles,</u> where any asset, business or property is bought by the Company as from a past date...”
157.	“The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think fit as a reserve or reserves...”	“ <u>Subject to the Schedule to these Articles,</u> the Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think fit as a reserve or reserves...”

	Currently in force	Proposed to be amended/added as
Article number	Articles of association	
164.	“All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed...”	“ <u>Subject to the Schedule to these Articles,</u> all dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed...”
184.	“If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the shareholders in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid on the shares held by them respectively.”	“ <u>Subject to the Schedule to these Articles,</u> if the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the shareholders in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid on the shares held by them respectively.”

	Currently in force	Proposed to be amended/added as
Article number	Articles of association	
185.	<p>“If the Company shall be wound up (in whatever manner) the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Companies Act, divide among the shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.”</p>	<p>“If the Company shall be wound up (in whatever manner) the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Companies Act, <u>and subject to the Schedule to these Articles,</u> divide among the shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.”</p>

The follow Schedule A be proposed to be added to the end of the Articles.

Schedule A

Terms of the convertible Preferred Shares

1. Definitions

Notwithstanding anything contrary to the provisions of the Memorandum of Association of the Company and the Articles, for the purpose of this Schedule the following terms shall have the following meanings, and in the event of any inconsistency between this Schedule and the remainder of the Articles, the terms of this Schedule shall prevail:

“Conversion Notice”	means a notice served by any holder of Preferred Shares from time to time stating that such holder wishes to exercise the Conversion Right in respect of one or more Preferred Shares held by such holder, in substantially the form prescribed by the Company from time to time;
“Conversion Ratio”	means the rate for conversion of the Preferred Shares into Ordinary Shares on a one for one basis;
“Conversion Right”	means the right, subject to the provisions of paragraph 7 below, of the holders of Preferred Shares to convert any Preferred Shares into Ordinary Shares;
“Converting Shareholder”	means a holder of Preferred Shares all or some of whose Preferred Shares are being or have been converted into Ordinary Shares;
“CPS Meeting”	means a separate general meeting of the holders of the Preferred Shares duly convened in accordance with the Articles and/or this Schedule (as the case may be) to consider any matter relating to the Preferred Shares and/or their terms;
“Majority Vote”	means majority consisting of more than 50% of the votes cast on a poll by such shareholders as, being entitled so to do, vote in person or by proxy or in the cases of shareholders which are corporations, by their respective duly authorised representatives at a general meeting of which notice has been duly given in accordance with the Articles and or this Schedule (as the case may be);
“Public Float Requirement”	means the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the shares which are listed on the HK Stock Exchange shall be held by the public for the purpose of the Listing Rules; and

“Relevant Event” means any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary.

2. *As regards preferred distribution*

- 2.1. Subject to compliance with all applicable laws and these Articles, and so long as the Company has not redeemed all of its Preferred Shares pursuant to clause 7 of this Schedule, each issued Preferred Share shall confer on its holder the right to receive a preferred distribution, by way of dividend or otherwise in accordance with the Articles, the Companies Act and all applicable laws, from the date of the issue of the Preferred Share at a rate of not exceeding 5% per annum on the aggregate issue price of the Preferred Shares paid by the initial subscribers during its initial subscription, payable annually in arrears. Each preferred distribution is non-cumulative.
- 2.2. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest shall accrue on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not declare or pay any dividends, distributions or make any other payment on any other Shares, unless at the same time it pays to the holders of Preferred Shares any deferred or declared but unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments on such other Shares are made.

3. *As regards dividend*

- 3.1 Save for the right conferred on the holders of the Preferred Shares to receive a preferred distribution as set out in paragraph 2 above, holders of Preferred Shares have no right to dividend prior to its conversion into Ordinary Share.

4. *As regards capital*

- 4.1 Upon the occurrence of a Relevant Event, the assets and funds of the Company available for distribution among the shareholders shall, subject to applicable laws, be applied in the following order of priority:
- (a) firstly, to the holders of Preferred Shares, *pari passu* as between themselves, an amount equal to the aggregate nominal amount paid up or credited as paid up on all issued Preferred Shares held by the holders of the Preferred Shares (so long as the Company has not redeemed such Preferred Shares, or such Preferred Shares remain non-converted), on a basis *pro-rata* to the aggregate of the nominal amounts of the Preferred Shares held by them respectively; and
 - (b) the remaining balance of such assets and funds shall belong to and be distributed on a *pari passu* basis among the holders of all classes of shares including the Preferred Shares, other than any other shares not entitled to participate in such assets and funds, by reference to the aggregate nominal amount of shares held by them respectively.

5. *As regards ranking*

5.1 Save as expressly provided in this Schedule, each Preferred Share shall have the same rights as each of the Ordinary Share. The Company shall not, for so long as any Preferred Shares remain outstanding, issue, without obtaining the consent of the holders of the Preferred Shares by Majority Vote at a CPS Meeting, shares ranking senior or in priority to the Preferred Shares as regards order of the participation in profits or assets on a winding up or otherwise in priority to the Preferred Shares, but the Company may create, issue or repurchase, without obtaining the consent of the holders of the Preferred Shares, any further Ordinary Shares.

6. *As regards voting*

6.1 The holders of the Preferred Shares shall have the right to receive notice of and to attend a general meeting of the holders of Ordinary Shares of the Company. However, the Preferred Shares shall not confer on the holders thereof the right to vote at a general meeting of holders of Ordinary Shares of the Company.

6.2 Where holders of the Preferred Shares are entitled to vote on any resolution at the relevant CPS Meeting, all resolutions put to the vote at the CPS Meeting must be decided by way of poll and every holder of the Preferred Shares who is present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Preferred Share held by him which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments shall be treated for the purposes of this paragraph as paid on the share).

6.3 The holders of the Preferred Shares may requisition a CPS Meeting amongst themselves to be convened in accordance with Article 64 which shall mutatis mutandis apply but so that reference to the paid up capital of the Company therein should be read as the paid up capital of the Preferred Shares. The proceedings of a separate general meeting for considering a variation of share rights as set out in Article 5(A) shall apply to CPS Meeting as if the same had been incorporated herein save that where a resolution is to be proposed which if passed would not amount to a variation or abrogation of the rights or privileges of the holders of the Preferred Shares, the following shall apply:

(i) at least seven days' notice of any CPS Meetings shall be given to the holders of the Preferred Shares;

(ii) two or more persons or entities holding Preferred Shares (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy in the aggregate of not less than 10% of the nominal value of the issued Preferred Shares for the time being shall form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business and if within half an hour from the time appointed for any CPS Meeting a quorum is not present, the meeting will be dissolved. If the Company has only one holder of Preferred Shares, one holder present in person or by proxy shall be a quorum for all purposes;

- (iii) every question submitted to a CPS Meeting shall be decided by passing by a Majority Vote;
- (iv) the Company (through its representatives), the legal and financial advisers of the Company and the holders of the Preferred Shares shall be entitled to attend and speak at any CPS Meeting. Save as aforesaid, no person or entity shall be entitled to attend, speak or vote at any CPS Meetings or to join with others in requesting the convening of such a meeting unless he is a holder of Preferred Share or the duly authorised representative of a corporate holder of Preferred Share or a duly appointed proxy; and
- (v) the decision by a Majority Vote shall be binding upon all holders of Preferred Shares, whether present or not present at such meeting, and each of the holder of the Preferred Share shall be bound to give effect thereto accordingly. The passing of a resolution by a Majority Vote, and an entry to that effect made in the minute book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact. The result of the poll shall be deemed to be the resolution of the meeting.

Save and except as amended in paragraph 6.3 above, the provisions of the Articles in relation to general meetings of the Company (including without limitation Article 1, 63 to 90) shall apply to the CPS Meeting as if the same had been incorporated herein.

7. *As regards conversion*

- 7.1 Subject to paragraph 7.3 below, the Preferred Shares shall be convertible, in whole or in part (in the unit of 1,000,000 Preferred Shares (the “**Lot Size**”) and integral multiples thereof), at the option of the holder(s) thereof at any time after twelve (12) months from the respective dates of issue of the Preferred Shares which are to be converted and without the payment of any additional consideration therefor, into such number of fully-paid Ordinary Shares as determined in accordance with the Conversion Ratio. Notwithstanding the generality of the foregoing, in respect of any conversion of the Preferred Shares, the Converting Shareholders shall be entitled to a pro rata portion of such dividend that has accrued thereon up to the date immediately prior to the service of a Conversion Notice on the Company.
- 7.2 Subject to paragraph 7.3 below, the number of Ordinary Shares to which a Converting Shareholder shall be entitled upon conversion of its Preferred Shares shall be the number obtained by multiplying the Conversion Ratio then in effect by the number of Preferred Shares (in whole or in part in the unit of 1,000,000 Preferred Shares and integral multiples thereof) being converted provided that no fraction of an Ordinary Share arising on conversion shall be allotted and issued, and all fractional entitlements shall be dealt with in accordance with paragraph 8 below.

7.3 Notwithstanding anything to the contrary in this Schedule, during the Relevant Period, if the issue of Ordinary Shares following the exercise by a holder of Preferred Shares of the Conversion Rights relating to any of the Preferred Shares held by such holder thereof would result in the Company not meeting the Public Float Requirement immediately after the conversion, then the number of Ordinary Shares to be issued pursuant to such conversion shall be restricted to the maximum number of Ordinary Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement, and a new certificate for the balance of the Preferred Shares which the holder thereof sought to convert shall be issued and delivered to that holder.

7.4 The Conversion Ratio shall be fixed at one Preferred Share for one Ordinary Share.

7.5 If and whenever the Ordinary Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or sub-division shall be effected on the Preferred Shares, in which case the Conversion Ratio shall remain as one Preferred Share for one Ordinary Share (as consolidated or sub-divided, as the case may be) and the Lot Size shall be adjusted accordingly.

8. *As regards fractional entitlements*

8.1 No fraction of an Ordinary Share arising on conversion shall be allotted to the Converting Shareholder(s) otherwise entitled thereto but such fractions will, when practicable, be aggregated and sold and the net proceeds of sale will then be distributed pro rata among such Converting Shareholder(s) unless the amount to be so distributed would be less than HK\$100, in which case such amount will not be so distributed but will be retained for the benefit of the Company.

9. *As regards redemption*

9.1 Redemption by the Company. Subject to the consent of the holders of the Preferred Shares whose Preferred Shares are to be redeemed, the Company may, at any time, by notice of not less than 30 days to the holders of Preferred Shares whose Preferred Shares are to be redeemed and subject to compliance with the Companies Act, request to redeem part or all of the Preferred Shares at a price as determined between the holders of the Preferred Share whose Preferred Shares are being redeemed and the Company, so long as such Preferred Shares have not been previously converted, redeemed or cancelled.

10. *As regards transferability*

10.1 The Preferred Shares (and each of them) may be transferred by the holder thereof after twelve (12) months from the respective dates of issue of the Preferred Shares which are to be transferred without restriction, provided that the holder thereof shall give prior notice to the Company and (if applicable) the HK Stock Exchange where the transferee is a connected person of the Company (as defined in the Listing Rules). The Company shall facilitate any such assignment or transfer of the Preferred Shares, including making any necessary applications to the HK Stock Exchange or any other regulatory authority for the said approval (if so required) at the cost of such holder of the Preferred Shares.

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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the physical extraordinary general meeting (the “**Meeting**”) of Global Bio-chem Technology Group Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Room 901-905, 9th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 8:00 a.m. on Sunday, 31 December 2023 to consider and, if though fit, pass (with or without amendments) the following resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the subscription agreement dated 30 November 2023 (the “**Subscription Agreement**”) (a copy of which is marked “**A**” and initialed by the chairman of the Meeting is now produced to the Meeting for the purpose of identification) entered into between the Company, as issuer, and (i) 吉林省利亨股權投資合夥企業(有限合夥) (Jilin Province Liheng Equity Investment Partnership (Limited Partnership)*) (“**Jilin Liheng**”) and (ii) 吉林省元亨股權投資合夥企業(有限合夥) (Jilin Province Yuanheng Equity Investment Partnership (Limited Partnership)*) (“**Jilin Yuanheng**”) (collectively, the “**Subscribers**”), as Subscribers, in respect of the issuance by the Company of, and the subscription by (i) Jilin Liheng, at a subscription amount of RMB1,330,000,000, and (ii) Jilin Yuanheng, at a subscription amount of RMB250,000,000, for such number of non-voting convertible preference shares of HK\$0.10 each in the capital of the Company (“**Subscription CPS**”) at a subscription price of HK\$0.1 per Subscription CPS and all the transactions contemplated thereunder (including the issue of the Subscription CPS, allotment and issue of the new shares of the Company upon exercise by the holder(s) of the Subscription CPS of the conversion rights attached thereto (the “**Conversion Shares**”)) be and are hereby ratified, confirmed and approved;

* for identification purposes only

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- (b) subject to and conditional upon the listing committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having granted the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the directors of the Company (the “**Directors**” and each a “**Director**”) be and are hereby granted a specific mandate to exercise the power of the Company to allot and issue the Conversion Shares; and
 - (c) any one or more of the Directors be and are hereby authorised for and on behalf of the Company to do all such act and things, to sign, execute and deliver all such documents and agreements (including the affixation of the common seal of the Company where required) on behalf of the Company and to do all such other things and to take all such actions as he may, in his absolute discretion, consider necessary, desirable, appropriate and expedient for the purpose of giving effect to or in connection with the Subscription Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Subscription Agreement) as are, in the opinion of such Director(s), in the interest of the Company and its shareholders as a whole.”
- (2) “**THAT:**
- (a) the authorised share capital of the Company be and is hereby increased from HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares of a nominal or par value of HK\$0.10 each to HK\$6,000,000,000 divided into 30,000,000,000 ordinary shares of a nominal or par value of HK\$0.10 and 30,000,000,000 non-voting convertible preference shares of a nominal or par value of HK\$0.10 each, by the creation of additional 10,000,000,000 ordinary shares of a nominal or par value of HK\$0.10 and 30,000,000,000 non-voting convertible preference shares of a nominal or par value of HK\$0.10 each (the “**Increase in Authorised Share Capital**”); and
 - (b) any one or more Directors be and are hereby authorised to do all such acts and things, to sign and execute all such documents (including the affixation of the common seal of the Company where required), and to take all such steps as the Director(s) consider necessary, desirable, appropriate or expedient in connection with the implementation of and giving effect to or in connection with the Increase in Authorised Share Capital.”

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SPECIAL RESOLUTION

- (3) “**THAT** subject to and conditional upon the passing of the ordinary resolution no.2 in this notice, the proposed amendments (the “**Proposed Amendments**”) to the existing memorandum and articles of association of the Company (the “**Existing M&A**”) to as set forth in Appendix II to the circular of the Company dated 14 December 2023 (the “**Circular**”) be and are hereby approved; and the second amended and restated memorandum and articles of association of the Company (the “**Amended M&A**”), a form of which is produced to the Meeting marked “**B**” and initialed by the chairman of the Meeting for the purpose of identification, which incorporates and consolidates all the Proposed Amendments, be and is hereby approved and adopted in substitution for and to the exclusion of the Existing M&A with immediate effect and that any one or more Directors be and are hereby authorised to do all acts and things necessary, appropriate, desirable or expedient to give effect to the Proposed Amendments and the adoption of the Amended M&A, including but not limited to, attending to any necessary registration and/or filing of the Amended M&A and all requisition documents for and on behalf of the Company.”

By order of the board of Directors
Global Bio-chem Technology Group Company Limited
Wang Cheng
Chairman

Hong Kong, 14 December 2023

Registered office:

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

Head office and principal place

of business in Hong Kong:
Suites 1002, 10th Floor
Tower A, Cheung Kei Center
18 Hung Luen Road
Hung Hom, Kowloon
Hong Kong

Notes:

1. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be Shareholder.
2. In the case of joint holders of shares of the Company (“**Shares**”), any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Share shall alone be entitled to vote in respect thereof
3. To be valid, the form of proxy together with a power of attorney or other authority (under which it is signed or a certified copy thereof), if any, must be deposited at the offices of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time of the Meeting (i.e. at or before 8:00 a.m. on Friday, 29 December 2023 (Hong Kong time)) or any adjournment or postponement thereof.

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4. Delivery of an instrument appointing a proxy should not preclude a Shareholder from attending and voting in person at the above Meeting or any adjournment or postponement thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed on Sunday, 31 December 2023, during which no transfer of Shares will be effected. In order to qualify for the attendance at the Meeting, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch registrars in Hong Kong at the address stated in note 3 above no later than 4:30 p.m. on Saturday, 30 December 2023 for registration.
6. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8:00 a.m. on the date of the Meeting, the Meeting will be adjourned, changed or postponed in accordance with the articles of association of the Company. The Company will post an announcement on the websites of the Stock Exchange and the Company to notify Shareholders of the date, time and place of the rescheduled meeting.
7. The Meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situation.

As at the date of this notice, the board of Directors comprises two executive Directors, namely, Mr. Wang Cheng and Mr. Wang Guicheng; one non-executive Director, namely, Mr. Li Yuwen; and three independent non-executive Directors, namely, Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu.