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

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GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(I) 2024 MASTER PURCHASE AGREEMENT FOR THE PROCUREMENT OF
COAL, CORN KERNELS, CORN STARCH AND SUGAR SYRUP; AND
(II) 2024 MASTER SALES AGREEMENT FOR THE SALE OF CORN STARCH
AND OTHER CORN REFINED PRODUCTS
AND
(2) NOTICE OF EGM**

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



A letter from the Board is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 25 to 26 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 27 to 50 of this circular.

A notice convening the EGM to be held at 35/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong at 10:30 a.m. on Friday, 20 December 2024 is set out on pages 55 to 57 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17th, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. at or before 10:30 a.m. on Wednesday, 18 December 2024 (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.

2 December 2024

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DEFINITIONS

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

“2024 Master Purchase Agreement”	the agreement dated 17 October 2024 entered into between the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser, Ruihao (Guangzhou) (for itself and Ruihao (Guangzhou) Group and its associated companies from time to time), DDT Supply Chain (for itself and DDT Supply Chain Group and its associated companies from time to time) and Jilin Huasheng Trading (for itself and Jilin Huasheng Trading Group and its associated companies from time to time), as suppliers in relation to the purchase of coal, corn kernels, corn starch and sugar syrup by the Group from the Raw Material Suppliers for the term commencing from 1 January 2025 and ending on 31 December 2027
“2024 Master Sales Agreement”	the agreement dated 17 October 2024 entered into between the Company (for itself and on behalf of its subsidiaries from time to time), as supplier, Ruihao (Guangzhou) (for itself and Ruihao (Guangzhou) Group and its associated companies from time to time), DDT Supply Chain (for itself and DDT Supply Chain Group and its associated companies from time to time) and Jilin Huasheng Trading (for itself and Jilin Huasheng Trading Group and its associated companies from time to time), as purchasers in relation to the purchase of corn starch and other corn refined products including but not limited to gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals by the Product Purchasers from the Group for the term commencing from 1 January 2025 and ending on 31 December 2027
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“Company”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 03889)
“Convertible Bonds”	the RMB120.0 million, 3 year, 5 per cent. convertible bonds issued by the Company to each of Mr. Kong and Mr. Wang, the completion of which took place in two tranches on 3 May 2024 and 19 July 2024, respectively

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“DDT Master Purchase Agreement”	the agreement dated 1 January 2023 and entered into between DDT Supply Chain as supplier and Shanghai Haocheng as purchaser in relation to the purchase of corn starch and sugar syrup by Shanghai Haocheng from DDT Supply Chain for the term commencing from 1 January 2023 and ending on 31 December 2024
“DDT Supply Chain”	點點通供應鏈科技(深圳)有限公司 (DDT Supply Chain Technology (Shenzhen) Co., Ltd.*), a company established in the PRC with limited liabilities
“DDT Supply Chain Group”	DDT Supply Chain and its subsidiaries from time to time
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as their respective annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps)
“Existing Master Purchase Agreements”	collectively, the DDT Master Purchase Agreement and Ruihao Master Purchase Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Huasheng”	Hong Kong Huasheng Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Jilin Huasheng Trading, and a substantial Shareholder
“IFA” 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 appointed by the Board and approved by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement, the 2024 Master Sales Agreement, and the proposed annual caps under the respective agreements (i.e. the Purchase Annual Caps and the Sales Annual Cap)

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“Independent Board Committee”	the independent board committee of the Board comprising all three independent non-executive Directors, namely, Ms. Liu Ying, Ms. Li Guichen and Mr. Lo Kwing Yu, for the purpose of advising the Independent Shareholders in relation to the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, and the respective proposed annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps)
“Independent Purchaser(s)”	party or parties, being purchaser(s) of products of the Group and who and whose ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined under the Listing Rules)
“Independent Shareholders”	Shareholders other than Mr. Kong, Mr. Wang, Hong Kong Huasheng and their associates, and all other Shareholders interested in the 2024 Master Purchase Agreement, the 2024 Master Sales Agreement and the respective continuing connected transactions contemplated thereunder, including the Purchase Annual Caps and the Sales Annual Caps
“Independent Supplier(s)”	party or parties, being supplier(s) of the Group and who and whose ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined under the Listing Rules)
“Jilin Huasheng Trading”	吉林省華生商貿有限公司 (Jilin Huasheng Trading Limited*), a company incorporated in the PRC with limited liabilities
“Jilin Huasheng Trading Group”	Jilin Huasheng Trading and its subsidiaries from time to time
“Latest Practicable Date”	26 November 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kong”	Mr. Kong Zhanpeng (孔展鵬), an executive Director
“Mr. Li”	Mr. Li Fangcheng (李方程), an executive Director
“Mr. Wang”	Mr. Wang Tieguang (王鐵光), an executive Director
“MT”	metric tonne

DEFINITIONS

“Product Purchasers”	as defined under the paragraph headed “Letter from the Board – 3. 2024 MASTER SALES AGREEMENT – (a) Principal terms of the 2024 Master Sales Agreement” in this circular
“Purchase Annual Caps”	the proposed annual caps for the three years ending 31 December 2027 under the 2024 Master Purchase Agreement
“Raw Material Suppliers”	as defined under the paragraph headed “Letter from the Board – 2. 2024 MASTER PURCHASE AGREEMENT – (a) Principal terms of the 2024 Master Purchase Agreement” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Ruihao (Guangzhou)”	銳豪科創商貿(廣州)有限公司 (Ruihao Property (Guangzhou) Co., Ltd.*), a company established in the PRC with limited liabilities
“Ruihao (Guangzhou) Group”	Ruihao (Guangzhou) and its subsidiaries from time to time
“Ruihao Master Purchase Agreement”	the agreement dated 1 January 2023 and entered into between Ruihao (Guangzhou) as supplier and Shanghai Haocheng as purchaser in relation to the purchase of corn starch and sugar syrup by Shanghai Haocheng from Ruihao (Guangzhou) for the term commencing from 1 January 2023 and ending on 31 December 2024
“Sales Annual Caps”	the proposed annual caps for the three years ending 31 December 2027 under the 2024 Master Sales Agreement
“Shanghai Haocheng”	上海好成食品發展有限公司 (Shanghai Haocheng Food Development Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2024 Interim Report”	the interim report of the Company for the six months ended 30 June 2024
“%”	per cent.

LETTER FROM THE BOARD



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

Executive Directors:

Mr. Wang Tieguang
Mr. Kong Zhanpeng
Mr. Li Fangcheng

Non-executive Director:

Mr. Tai Shubin

Independent non-executive Directors:

Ms. Liu Ying
Ms. Li Guichen
Mr. Lo Kwing Yu

Registered office:

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

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

Unit 1206, 12th Floor
The Metropolis Tower
10 Metropolis Drive
Hung Hom, Kowloon
Hong Kong

2 December 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(I) 2024 MASTER PURCHASE AGREEMENT FOR THE PROCUREMENT OF
COAL, CORN KERNELS, CORN STARCH AND SUGAR SYRUP; AND
(II) 2024 MASTER SALES AGREEMENT FOR THE SALE OF CORN STARCH
AND OTHER CORN REFINED PRODUCTS;
AND
(2) NOTICE OF EGM**

** For identification purposes only*

LETTER FROM THE BOARD

1. INTRODUCTION

As announced by the Company on 17 October 2024, the Company entered into (i) the 2024 Master Purchase Agreement with Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading for the procurement of raw materials including coal, corn kernels, corn starch and sugar syrup by the Group from the Raw Material Suppliers and (ii) the 2024 Master Sales Agreement with Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading for the sale of corn starch and other corn refined products, including but not limited to gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals from the Group to the Product Purchasers, both on an ongoing basis for a period of three years from 1 January 2025 to 31 December 2027. Transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement constitute continuing connected transactions of the Company.

The purpose of this circular is to provide you with (i) information regarding the resolutions to be proposed at the EGM to approve the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as their respective proposed annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps); and (ii) the notice of EGM.

2. 2024 MASTER PURCHASE AGREEMENT

(a) Principal terms of the 2024 Master Purchase Agreement

Date: 17 October 2024

Parties:

- (1) the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser;
- (2) Ruihao (Guangzhou) (for itself and on behalf of its subsidiaries and associated companies of Ruihao (Guangzhou) Group from time to time), as one of the suppliers;
- (3) DDT Supply Chain (for itself and on behalf of its subsidiaries and associated companies of DDT Supply Chain Group from time to time), as one of the suppliers; and
- (4) Jilin Huasheng Trading (for itself and on behalf of its subsidiaries and associated companies of Jilin Huasheng Trading Group from time to time), as one of the suppliers

Pursuant to the 2024 Master Purchase Agreement, the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser, agrees to purchase, and each of Ruihao (Guangzhou) Group, DDT Supply Chain Group, Jilin Huasheng Trading Group, and their respective associated companies (collectively, the **“Raw Material Suppliers”**), as supplier,

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agrees to supply to the Group raw materials including coal, corn kernels, corn starch and sugar syrup. The 2024 Master Purchase Agreement shall be effective for a period of three years from 1 January 2025 to 31 December 2027.

The Raw Material Suppliers agree that during the validity period of the 2024 Master Purchase Agreement, the corn starch supplied by the Raw Material Suppliers to the Company will not be sourced and/or produced from the Group.

Pursuant to the 2024 Master Purchase Agreement, the Group shall enter into separate purchase orders with the Raw Material Suppliers from time to time during the terms of the 2024 Master Purchase Agreement for the purpose of confirming the purchase by the Group and the terms of such transaction. Such purchase orders shall specify the detailed terms of the purchase, including but not limited to form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that (i) payment shall only be made after the receipt of the products; (ii) the rate of interest that may be charged by any of the Raw Material Supplier(s) for late payment of the Group shall not exceed the rate of interest charged by the Independent Suppliers of the same kind of products to the Group for late payment from time to time; and (iii) such separate purchase orders shall be for a fixed term and in any event not exceeding the term of the 2024 Master Purchase Agreement, at pricing terms and otherwise on terms in compliance with those set out in the 2024 Master Purchase Agreement.

(b) Pricing method

(i) Corn Kernels

Under the 2024 Master Purchase Agreement, the Raw Material Suppliers shall supply corn kernels to the Group at unit prices not exceeding the higher of the below prices (prices exclusive of transportation and storage, interests, handling charges and/or other outgoing charges such as costs of transit):

- (1) the average unit corn transaction price published on the official website of Dalian Commodity exchange (www.dce.com.cn) of the latest trade matching day before the proposed date of making purchase orders by any member of the Group; or
- (2) the average corn price in Jinzhou Port of Liaoning Province obtained from Sublime China Information (<https://www.sci99.com>), a third party price consulting platform, on the date immediately before the proposed date of making purchase orders by any member of the Group.

The above pricing terms for corn kernels were reached after negotiations between the parties on an arm's length basis. The Board believes that using the higher of the two publicly available sources of average unit corn transaction price as the maximum limit to the unit price of corn kernels to be charged by the Raw Material Suppliers could ensure that the Group would be paying to the Raw Materials Suppliers a fair and reasonable unit price for the corn kernels in both the Group's and the Raw Material

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Suppliers' perspectives, with such unit price remaining within the range of market prices quoted on the two publicly available platforms, but not higher. Coupled with the better credit terms offered by the Raw Materials Suppliers, the Group considered such reference price to be fair and reasonable.

(ii) *Coal, corn starch and sugar syrup*

Under the 2024 Master Purchase Agreement, the Raw Material Suppliers shall supply coal, corn starch and sugar syrup to the Group at unit prices (prices exclusive of transportation and storage, interests, handling charges and/or other outgoing charges such as costs of transit) based on market prices from time to time, which shall be determined by the quotations obtained by the Group from the Independent Suppliers within 30 days before entering into the purchase orders with the Raw Material Suppliers, and shall not be higher than the lowest unit prices of the same or similar products, or products of similar quality in the most recent quotations from at least three Independent Suppliers.

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 IFA) are of the view that as the prices of the coal, corn kernels, corn starch and sugar syrup to be charged by the Raw Material Suppliers under the 2024 Master Purchase Agreement are to be determined with reference to (i) the commodity prices quoted on an official commodity exchange website and prices quoted from an independent price consulting platform for corn kernels; and (ii) recent prices quoted by the Independent Suppliers for coal, corn starch and sugar syrup, which are either public information or are up-to-date, such pricing term can ensure that the prices of the relevant products will be set at market rates from time to time.

(c) *Proposed annual caps*

(i) *Historical transaction amounts*

Reference is made to the announcement of the Company dated 31 January 2024 (the "**Rule 14A.60(1) Announcement**") in relation to, among others, the Existing Master Purchase Agreements entered into between Shanghai Haocheng and each of Ruihao (Guangzhou) and DDT Supply Chain, for the purchase of corn starch and sugar syrup. As disclosed in the Rule 14A.60(1) Announcement, the transactions under the Existing Master Purchase Agreements have become continuing connected transactions of the Company on 21 December 2023 as Ruihao (Guangzhou) and DDT Supply Chain became connected persons of the Company on even date upon the completion of the sale and purchase of 717,965,000 Shares, then representing approximately 47.0% of the entire issued share capital of the Company, held by Global Corn Bio-Chem Technology Company Limited to Mr. Kong and Mr. Wang.

LETTER FROM THE BOARD

Based on the audited financial statement of the Group as at 31 December 2023, Shanghai Haocheng purchased an aggregate of 54,564 MT (amounted to approximately HK\$179.4 million) (tax exclusive) of corn starch and an aggregate of 6,934 MT (amounted to approximately HK\$21.0 million) (tax exclusive) of sugar syrup from Ruihao (Guangzhou) and DDT Supply Chain under the Existing Master Purchase Agreements, which represented approximately 62.3% and 49.0% of the total corn starch and total sugar syrup purchased by Shanghai Haocheng for the year ended 31 December 2023, respectively.

Based on the unaudited financial statement of the Group as at 30 June 2024, the Group purchased an aggregate of approximately 59,844 MT (amounted to approximately HK\$211.6 million) (tax inclusive) of corn starch and an aggregate of approximately 33,016 MT (amounted to approximately HK\$108.2 million) (tax inclusive) of sugar syrup for the six months ended 30 June 2024, respectively. In particular, Shanghai Haocheng purchased an aggregate of approximately 55,798 MT (amounted to approximately HK\$197.0 million) (tax inclusive) of corn starch and an aggregate of approximately 18,335 MT (amounted to approximately HK\$57.5 million) (tax inclusive) of sugar syrup from Ruihao (Guangzhou) and DDT Supply Chain under the Existing Master Purchase Agreements, which represented approximately 93.2% and 55.5% of the total corn starch and total sugar syrup purchased by the Group for the six months ended 30 June 2024, respectively.

Upon the completion of the Group's corporate restructuring plan ("**Corporate Restructuring**") which includes (1) the disposal of the Group's entire equity interests in 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*); and (2) the purchase of approximately 47.0% of the issued share capital of the Company by Mr. Kong and Mr. Wang from Global Corn Bio-Chem Technology Company Limited, a wholly-owned subsidiary of Global Bio-chem Technology Group Company Limited (Stock Code: 00809) ("**GBT**"), under a sale and purchase agreement dated 6 April 2023 (the "**GSH SPA**"), and the subsequent mandatory general offer launched by Mr. Kong and Mr. Wang as offerors upon completion of the GSH SPA, which resulted in the Group no longer being a subsidiary group of GBT, the Group has been focusing its effort in the production in its Shanghai production site and enhanced the facilities utilisation rate in its Shanghai production site with greater production volume so as to reduce the average production cost per units, as evidenced by the increase in sales revenue of our corn sweeteners segment from approximately HK\$193.7 million for the six months ended 30 June 2023 to approximately RMB332.5 million for the six months ended 30 June 2024. The increase in production volume resulted in increasing need of raw materials. As a result, the Group increased its sourcing of corn starch and sugar syrup from Ruihao (Guangzhou) and DDT Supply Chain under the Existing Master Purchase Agreement as they are readily available sources of stable supply with better credit terms which could improve liquidity of the Group for the initial investment of the refurbishment projects in the Group's Jinzhou production site.

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Since the mid of 2020, the Group has suspended its upstream production. For the six months ended 30 June 2024, there was no transaction between the Group and the Raw Material Suppliers or the Independent Suppliers in relation to the procurement of coal and corn kernels.

Set forth below is a summary of the Group's production facilities:

		Products produced	Raw materials needed	Time of initial suspension	Time/expected time of resumption
1.	Shanghai production site	<i>Downstream products:</i> corn syrup (including glucose syrup, maltose syrup and high fructose corn syrup)	Corn starch and sugar syrup	April 2022	Resumed in June 2022
2.	Jinzhou production site	<i>Upstream products:</i> corn starch and other corn refined products	Coal and corn kernels	May 2020	Expected to resume in December 2024
		<i>Downstream products:</i> corn syrup (including glucose syrup and maltose syrup)	Corn starch and sugar syrup	September 2019	Expected to resume in the fourth quarter of 2025 (<i>Note</i>)

Note: In determining the Proposed Annual Caps, the Board has not considered the effect of the expected resumption of downstream production in its Jinzhou production site. The Company will further assess whether any procurement from the Raw Materials Suppliers or sales to the Product Purchasers is needed and will make further announcement as and when appropriate.

(ii) Proposed annual caps under the 2024 Master Purchase Agreement

The Company proposes that the below Purchase Annual Caps (tax exclusive) be set for the transactions contemplated under the 2024 Master Purchase Agreement:

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	For the year ending 31 December (HK\$ million)		
	2025	2026	2027
Purchase Annual Caps (tax exclusive)	1,508	1,473	1,226

(iii) Basis of determination for the Purchase Annual Caps

In determination of the Purchase Annual Caps, the Company estimated the transaction amount for purchase of coal, corn kernels, corn starch and sugar syrup from the Raw Material Suppliers. The Directors took into account (i) the amount of corn starch and sugar syrup purchased by the Group for the six months ended 30 June 2024; (ii) the expected total procurement of coal, corn kernels, corn starch and sugar syrup estimated by the management of the Group for the three years ending 31 December 2027 after the resumption of the Group's Jinzhou production facilities; (iii) the historical transactions between the Group and the Raw Material Suppliers in relation to the procurement of corn starch and sugar syrup; (iv) the corn processing capacity, the coal consumption of heating system and utilisation rate of the Group's Jinzhou production facilities estimated by the management of the Group for the three years ending 31 December 2027 for the estimation of coal and corn kernels required for production; and (v) the recent price of corn kernels as quoted from a third party price consulting platform and the unit purchase prices of coal, corn starch and sugar syrup in the Group's recent purchase from the Independent Suppliers.

In estimating the expected total procurement of coal, corn kernels, corn starch and sugar syrup to be purchased from the Raw Material Suppliers in terms of quantity, the management of the Group has made references to the following:

- (1) For coal and corn kernels, the maximum corn processing capacity of 1,000,000 MT per year in the Group's Jinzhou production facilities, and the utilisation rate of the Jinzhou production facilities which is estimated at approximately 86%, 100% and 100% for the three years ending 31 December 2027, respectively, on the expectation that the Jinzhou production facilities shall resume operation towards the end of 2024, gradually build up its utilisation rate in 2025 and reach its maximum capacity by 2026. Further details are set out in the paragraphs headed "(d) Reasons and benefits of the 2024 Master Purchase Agreement" below. As a measure to ensure there to be no undue reliance on our Raw Materials Suppliers, and taking into consideration the Group's continuous effort in increasing the proportion of purchase from the Independent Suppliers for the three years ending 31 December 2027 so as to diversify the suppliers' network, it is estimated that the total quantity of corn kernels to be purchased by the Group from the Raw Material Suppliers will be approximately 516,000 MT, 500,000 MT and 400,000 MT, representing approximately 60%, 50% and 40% of the total purchase of the Group for the three years ending 31 December 2027,

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respectively. Considering the coal consumption of approximately 0.21 MT per every MT of corn processed in the Group's Jinzhou production facilities, the total quantity of coal to be purchased by the Group from the Raw Material Suppliers will be approximately 108,000 MT, 104,000 MT and 83,000 MT for the three years ending 31 December 2027, respectively.

- (2) For corn starch and sugar syrup, the Group has taken into account the historical quantities purchased by the Group for the six months ended 30 June 2024, which amounted to approximately 59,844 MT and 33,016 MT, respectively. Due to the Group's effort and devotion in enhancing its production capacity of its Shanghai production facilities upon completion of the Corporate Restructuring, as evidenced by the increase in the overall sales volume of the Group by approximately 106.3% during the six months ended 30 June 2024 as compared to that of the six months ended 30 June 2023, it is expected that the demand of corn starch and sugar syrup will increase throughout the three years ending 31 December 2027. As the Group is at the same time intending to maintain a diversified list of suppliers to avoid undue reliance on the Raw Materials Suppliers, the Group estimates that the quantities of corn starch to be purchased from the Raw Material Suppliers will be approximately 72,000 MT, 63,000 MT and 52,920 MT and sugar syrup to be purchased from the Raw Material Suppliers will be approximately 42,000 MT, 36,750 MT and 30,870 MT, for the three years ending 31 December 2027, respectively.

In arriving at the Purchase Annual Caps, the estimated total quantities of products to be purchased from the Raw Material Suppliers are multiplied by the estimated unit price of each product which was determined with references to the unit prices quoted from a third-party consulting platform and/or the unit prices of the relevant products in the Group's recent purchases.

(d) Reasons and benefits of the 2024 Master Purchase Agreement

In respect of purchase of corn kernels and coal, as disclosed in the 2024 Interim Report, the Company intends to use part of the net proceeds from the issuance of the Convertible Bonds for the preparation for the resumption of the Group's Jinzhou production facilities, which is expected to take place in the fourth quarter of 2024. As set out in the announcement of the Company dated 2 August 2024, in relation to the refurbishment projects of the Group's Jinzhou production facilities, the Jinzhou production facilities have been undergoing a series of refurbishment in preparation for its resumption of production since the second half of 2024. As at the Latest Practicable Date, refurbishment are still on-going and are expected to complete by the end of 2024. The Group has also been in active communications and negotiation with the local government to obtain the necessary approvals to speed up the resumption. Upon resumption of the Group's Jinzhou production facilities, the Group will first resume its upstream operation to sell corn starch and other corn refined products. In order to meet the initial production needs of the Group's Jinzhou upstream production facilities, the Group needs a stable supply of a huge amount of corn kernels and coal, being the major raw material required to drive the upstream production in Jinzhou site. As the Raw Material Suppliers,

LETTER FROM THE BOARD

being wholesalers and traders of primary agricultural products and fossil fuel, maintained close business relationships with corn kernels and fossil fuel suppliers, the Group would like to take advantage of such stable relationships to secure a stable supply of quality corn kernels and coal with better commercial terms in the northeast China.

In respect of purchase of corn starch and sugar syrup, under the Existing Master Purchase Agreements and prior to the Corporate Restructuring, Ruihao (Guangzhou) and DDT Supply Chain have been providing a stable supply of quality corn starch and sugar syrup to Shanghai Haocheng for use in the Group's Shanghai production site with better commercial terms as compared to those offered by the Independent Suppliers. The Group has, therefore, built up a stable relationship with both Ruihao (Guangzhou) and DDT Supply Chain prior to them becoming connected persons of the Group, and such existing relationship is, in the opinion of the Board, unlikely to terminate as further discussed in the paragraph headed "4. RISK OF MATERIAL RELIANCE" below. In light of the increase in output and sales of the downstream products of Shanghai Haocheng after the Existing Master Purchase Agreements becoming effective on 1 January 2023, the Group would like to continue such stable business relationship with Ruihao (Guangzhou) and DDT Supply Chain, and further take advantage of any new source of supply which may be sought from Jilin Huasheng Trading. Even though it is expected that the Group's Jinzhou upstream production facilities will resume operation in the fourth quarter of 2024 to produce corn starch, uncertainty remains as to the actual production volume of the Group's own corn starch and the Group intends to first target its own products for sale in order to swiftly regain its foothold in the market. The management of the Group also believes that sourcing corn starch from the Raw Material Suppliers could improve the Group's liquidity by taking advantage of the better credit terms offered by the Raw Materials Suppliers. In addition, it is not commercially viable to transport the corn starch from the Group's Jinzhou production site to the Group's Shanghai production site in view of their physical distance which would result in disproportionately high transportation costs, whereas by entering into the 2024 Master Purchase Agreement, the Group will be able to benefit from the established distribution network of the Raw Material suppliers in the Eastern China, which the Group has been making use of under the Existing Master Purchase Agreements, to lower the costs.

Due to the above reasons, and in contemplation of the expiration of the Existing Master Purchase Agreements on 31 December 2024, the Group entered into the 2024 Master Purchase Agreement with Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading in order to take advantage of the strong and stable business relationships between the Group, Ruihao (Guangzhou) and DDT Supply Chain, and the new source of supply from Jilin Huasheng Trading to better source its required quantity of coal, corn kernels, corn starch and sugar syrup with higher flexibility as the Raw Material Suppliers have always been able to arrange its source of coal, corn kernels, corn starch and sugar syrup internally, as well as to avoid incurring unnecessary transportation costs.

Since the coal, corn kernels, corn starch and sugar syrup to be supplied by the Raw Material Suppliers contemplated under the 2024 Master Purchase Agreement are on terms no less favourable than those generally supplied by the Independent Suppliers of coal, corn kernels, corn starch and sugar syrup of comparable specification or quality, and that the Raw Material

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Suppliers will be able to offer better credit terms to the Group as compared to direct purchase from the Independent Suppliers (as the Independent Suppliers for corn kernels, corn starch and sugar syrup do not offer any credit terms to the Group and may even require payment in advance, and the Independent Suppliers for coal normally require prepayment of a certain percentage of purchase price as deposit, with a 30-day credit period which is similar to that being offered by the Raw Material Suppliers), the Group agrees to purchase coal, corn kernels, corn starch and sugar syrup from the Raw Material Suppliers. As the 2024 Master Purchase Agreement is not an exclusive supplier agreement, the Group may still source from the Independent Suppliers if it so wishes and may reduce the reliance of supply of coal, corn kernels, corn starch and sugar syrup from the Raw Material Suppliers gradually after the improvement of financial conditions of the Group.

Internal control measures

To ensure that there will not be any undue reliance on the Raw Material Suppliers for the supply of coal, corn kernels, corn starch and sugar syrup, the Company has established the following internal control measures:

- (i) maximum monthly purchase amount from the Raw Material Suppliers will be set by the management by taking into account the production requirement and to avoid in any issue of reliance on the supply of coal, corn kernels, corn starch and sugar syrup from the Raw Material Suppliers. Such maximum monthly purchase amount is determined by dividing the relevant annual cap by twelve months, with adjustments based on (a) the monthly production plan of the Group's production facilities which determines the actual demand of coal, corn kernels, corn starch and sugar syrup; (b) the availability of coal, corn kernels, corn starch and sugar syrup in the open market; and (c) any other events that may cause delay of delivery of coal, corn kernels, corn starch and sugar syrup;
- (ii) the procurement department of the Group will monitor the transactions between the Group and the Raw Material Suppliers on a monthly basis for the purchase price and total purchase amount and the accounting department of the Group will report to the management on timely basis;
- (iii) the accounting department of the Group will prepare a monthly report for review by the independent non-executive Directors; and
- (iv) the internal control department of the Group will perform review annually and will report its findings to the management and the independent non-executive Directors.

With the internal control measures set out above, the management of the Company is able to obtain the updated monthly analysis in relation to the transactions between the Group and the Raw Material Suppliers under the 2024 Master Purchase Agreement, and monitor the total monthly purchase amount from the Raw Material Suppliers. The independent non-executive Directors will review the monthly report prepared by the accounting department of the Group and the Company will be timely notified if any the respective limit set has been reached.

LETTER FROM THE BOARD

Purchase from the Raw Material Suppliers will then be immediately suspended. As the 2024 Master Purchase Agreement is non-exclusive in nature, the Group will, and is always free to resort to the Independent Suppliers for the required raw materials.

Based on the above factors, the Board does not consider there to be any issue of undue reliance on the Raw Material Suppliers on the supply of coal, corn kernels, corn starch and sugar syrup and sufficient internal control measures have been implemented to ensure that there will not be any undue reliance in this regard.

The terms and conditions of the 2024 Master Purchase Agreement were negotiated between the parties on an arm's length basis. 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 IFA) are of the view that the terms and conditions of the 2024 Master Purchase Agreement and the continuing connected transactions contemplated thereunder, including the Purchase Annual Caps, are fair and reasonable, on normal commercial terms which are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. 2024 MASTER SALES AGREEMENT

(a) Principal terms of the 2024 Master Sales Agreement

Date: 17 October 2024

Parties:

- (1) the Company (for itself and on behalf of its subsidiaries from time to time), as supplier;
- (2) Ruihao (Guangzhou) (for itself and on behalf of its subsidiaries and associated companies of Ruihao (Guangzhou) Group from time to time), as one of the purchasers;
- (3) DDT Supply Chain (for itself and on behalf of its subsidiaries and associated companies of DDT Supply Chain Group from time to time), as one of the purchasers; and
- (4) Jilin Huasheng Trading (for itself and on behalf of its subsidiaries and associated companies of Jilin Huasheng Trading Group from time to time), as one of the purchasers.

Pursuant to the 2024 Master Sales Agreement, the Company (for itself and on behalf of its subsidiaries from time to time), as supplier, agrees to supply, and each of Ruihao (Guangzhou) Group, DDT Supply Chain Group, Jilin Huasheng Trading Group, and their respective associated companies (collectively, the "**Product Purchasers**"), as purchaser, agrees to purchase from the Group corn starch and other corn refined products, including but not limited

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to gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals. The 2024 Master Sales Agreement shall be effective for a period of three years from 1 January 2025 to 31 December 2027.

The Product Purchasers agree that during the validity period of the 2024 Master Sales Agreement, the corn starch sold by the Group to the Product Purchasers will not be re-sold and/or supplied to the Group.

Pursuant to the 2024 Master Sales Agreement, each of the Product Purchasers shall enter into separate sales contracts with the Group from time to time during the terms of the 2024 Master Sales Agreement for the purpose of confirming the purchase by the Product Purchasers and the terms of such transaction. Such sales contracts shall specify the detailed terms of the purchase, including but not limited to form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that (i) the rate of interest charged by the Group for late payment of any of the Product Purchaser(s) shall be no less than the rate charged by the Group to the Independent Purchasers of the same kind from time to time; (ii) the rate of interest that may be charged by any of the Product Purchaser(s) for late delivery of products from the Group shall not exceed the rate charged by the Independent Purchasers of the same kind of products to the Group for late delivery from time to time; (iii) payment can be made in advance; and (iv) such separate sales contracts shall be for a fixed term and in any event not exceeding the term of the 2024 Master Sales Agreement, at pricing terms and otherwise on terms in compliance with those set out in the 2024 Master Sales Agreement.

(b) Pricing method

Under the 2024 Master Sales Agreement, the selling price of corn starch and other corn refined products shall be based on the market prices from time to time which shall be determined by the average unit price (price exclusive of transportation and storage, interests, handling charges and/or other outgoing charges such as costs of transit) of the same or similar products supplied by the Group to the Independent Purchasers for the most recent five occasions, and the selling price of corn starch and other corn refined products under the 2024 Master Sales Agreement shall, in any event, be no less than such average unit price.

As various types of corn refined products are included under the 2024 Master Sales Agreement and the sale of some of them by the Group, such as corn steep liquor, fiber-based feeds, corn oil and corn germ meals, are not on daily basis and therefore not as frequent as others, the management of the Group is of the view that using the average unit price of the same or similar products supplied by the Group to the Independent Purchasers for the most recent five occasions, generally within three months, as the minimum price to be charged by the Group can best reflect the updated market price and trend of the same or similar products offered by the Group to the Independent Purchasers which bear the Group's unique product characteristics, and is a fair pricing term considering that market prices of the same and similar products fluctuate from time to time.

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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 IFA) are of the view that as the prices of corn starch and other corn refined products to be supplied by the Group under the 2024 Master Sales Agreement are to be determined with reference to and shall be no less than the average unit prices of the relevant products in previous transactions between the Group and the Independent Purchasers, which represents market prices from time to time, such pricing term is on normal commercial terms or better.

(c) Proposed annual caps

(i) Proposed annual caps under the 2024 Master Sales Agreement

The Company proposes that the below Sales Annual Caps (tax exclusive) be set for the transactions contemplated under the 2024 Master Sales Agreement:

	For the year ending 31 December		
	(HK\$ million)		
	2025	2026	2027
Sales Annual Caps (tax exclusive)	1,140	1,148	932

(ii) Basis of determination for the Sales Annual Caps

In determination of the Sales Annual Caps, the Company estimated the transaction amounts for purchase of corn starch and other corn refined products, including gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals by the Product Purchasers. The Directors took into account (i) the corn processing capacity and utilisation rate of the Group’s Jinzhou production facilities estimated by the management of the Group for the three years ending 31 December 2027; (ii) the expected sales of corn starch and other corn refined products for the three years ending 31 December 2027 after the resumption of the Group’s Jinzhou production facilities; and (iii) the recent unit prices of corn starch, gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals from an official commodity exchange website, as an independent price consulting platform.

In estimating the total quantities of corn starch and other corn refined products to be purchased by the Product Purchasers, the Group has made references the maximum corn processing capacity of 1,000,000 MT per year in the Group’s Jinzhou production facilities, and the utilisation rate of the Jinzhou production facilities which is estimated at approximately 86%, 100% and 100% for the three years ending 31 December 2027, respectively on the expectation that the Jinzhou upstream production facilities shall resume operation towards the end of 2024, gradually build up its utilisation rate in 2025 and reach its maximum capacity by 2026, further details of which are set out in the paragraphs headed “(d) Reasons and benefits of the 2024 Master Sales Agreement” below. As such, the total amount of corn starch and the other corn refined products

LETTER FROM THE BOARD

produced by the Group is estimated to be approximately 852,000 MT, 991,000 MT and 991,000 MT for the three years ending 31 December 2027, respectively. As the Group gradually regains its foothold in the market alongside the resumption of its production in its Jinzhou production site, it is expected that the Group will be able to regain access to a greater variety of sales channels as well as a more diversified customer base. The Company therefore estimates that the total quantity of corn starch and the other corn refined products to be sold to the Product Purchasers will be approximately 426,000 MT, 396,000 MT, and 297,000 MT for the three years ending 31 December 2027, respectively, representing approximately 50%, 40% and 30% of the total revenue.

In arriving at the Sales Annual Caps, the estimated total quantities of products to be purchased by the Product Purchasers are multiplied by the estimated unit price of each product which was determined with references to the recent unit prices quoted from an official commodity exchange website, as an independent price consulting platform.

(d) Reasons and benefits of the 2024 Master Sales Agreement

The Group is principally engaged in the production and sale of corn refined products and corn based sweetener products. Since the mid of 2022, the Group has suspended most of its production facilities and only maintained the production of corn sweetener in the Group's Shanghai production site. As disclosed in the 2024 Interim Report, the Company intends to use part of the net proceeds from the issuance of the Convertible Bonds for the preparation for the resumption of the Group's Jinzhou production facilities, which is expected to take place in the fourth quarter of 2024. As set out in the announcement of the Company dated 2 August 2024, in relation to the refurbishment projects of the Group's Jinzhou production facilities, the Jinzhou production facilities have been undergoing a series of refurbishment in preparation for its resumption of upstream production since the second half of 2024. As at the Latest Practicable Date, refurbishment are still on-going and are expected to complete by the end of 2024. The Group has also been in active communications and negotiation with the local government to obtain the necessary approvals to speed up the resumption. Upon resumption of the Group's Jinzhou production facilities, the Group will resume its upstream operation to produce and sell corn starch and other corn refined products, which will help improve the operating cash flow and profitability of the Group. As the Group's upstream production has been suspended for years, the management of the Group is of the view that time may be needed for past customers to regain confidence in the Group's upstream operation. Therefore, the management of the Group believes that the Group can take advantage of the existing sales network of the Product Purchasers to re-build its brand reputation and gain access to a greater variety of sales channels by entering into the 2024 Master Sales Agreement with Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading. In addition, the Product Purchasers are willing to accept the shorter credit period offered by the Group for the sales of corn starch and other corn refined products, as compared to the normal credit terms offered by the Group to the past Independent Purchasers of corn starch and other corn refined products of the Group. As the 2024 Master Sales Agreement is not an exclusive sales agreement, the Group may still sell corn starch and other corn refined products to the Independent Purchasers if it so wishes, and may reduce sales to the Product Purchasers as it gradually develops other sales channels and regains its foothold in the market.

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Internal control measures

To properly monitor the transactions to be conducted under the 2024 Master Sales Agreement, the Company has established the following internal control measures:

- (i) the Group will enter into sales contracts with members of the Product Purchasers from time to time during the term of the 2024 Master Sales Agreement for the purposes of confirming the sale of corn starch and other corn refined products by the relevant members of the Group;
- (ii) prior to the making of sales contracts, staff from the sales and marketing department of the Group will check the transaction prices, terms of transactions (including credit terms) and the accumulated transaction per year to ensure the transactions are on normal commercial terms and in the interests of the Company and Shareholders as a whole; and
- (iii) the accounting department of the Group will also monitor the transactions and prepare reports of such transactions on monthly basis to ensure the transactions are on normal commercial terms. Such reports should contain details of the transactions between the Group and the Product Purchasers, the pricing information and the respective quantities of corn starch and other corn refined products sold to ensure that the transactions do not exceed the Sales Annual Caps. Such monthly reports will be reviewed on a monthly basis by the independent non-executive Directors.

The terms and conditions of the 2024 Master Sales Agreement were negotiated between the parties on an arm's length basis. 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 IFA) are of the view that the terms and conditions of the 2024 Master Sales Agreement and the continuing connected transactions contemplated thereunder, including the Sales Annual Caps, are fair and reasonable, on normal commercial terms which are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. RISK OF MATERIAL RELIANCE

The Board has evaluated the risk of material reliance on the Raw Material Suppliers and the Product Purchasers under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, and is of the view that such risk of material reliance is low for the following reasons:

- (a) As disclosed in the 2024 Interim Report, the revenue of the Group has been demonstrating substantial improvement since the completion of the Corporate Restructuring. The operation of the Jinzhou production facilities, which is currently under refurbishment as disclosed in the announcement of the Company dated 2 August 2024, is expected to resume upon completion of the refurbishment projects by the end of 2024. With the expected resumption of production of the Group, the production of the Group will further increase and sales of the Group will also improve accordingly. As the 2024 Master Purchase Agreement and 2024 Master Sales Agreement will only come into effect in the financial year ending 31 December 2025, the

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expected production and revenue growth upon resumption of the Group's Jinzhou upstream production facilities should also be taken into account when considering the impact of reliance, which therefore, is not as substantial as they numerically appear.

- (b) As stated in the paragraphs headed “2. 2024 MASTER PURCHASE AGREEMENT – (c) Proposed annual caps – (iii) Basis of determination for the Purchase Annual Caps” and “3. 2024 MASTER SALES AGREEMENT – (c) Proposed annual caps – (ii) Basis of determination for the Sales Annual Caps” above, (a) the procurement to be made by the Group from the Raw Materials Suppliers is expected to decrease for the three years ending 31 December 2027 as a result of the Group's effort in diversifying its suppliers, and also as the liquidity and financial position of the Company continues to improve, alleviating its financial pressure; and (b) sales to be made by the Product Purchasers are also expected to decrease as the Group gradually regains its position in the market and further diversify its customer base. The Board is of the view that risk of material reliance on the Raw Material Suppliers and the Product Purchasers is low as the Group will gradually reduce its procurement from the Raw Material Suppliers, and the percentage contribution by the Product Purchasers will gradually reduce as the Group gradually expand its sales channel and increase sales to the Independent Purchasers.
- (c) Given that the Group has a list of Independent Suppliers, including a large number of local farmers for supplying corn kernels and over 45 Independent Suppliers of coal, corn starch and sugar syrup as at the Latest Practicable Date, that are capable of offering similar or the same products of comparable quality to that offered by the Raw Material Suppliers under the 2024 Master Purchase Agreements and that the Group has sufficient manpower, resources, and expertise to develop a new supplier network and to re-connect with Independent Suppliers previously transacted with the Group before suspension of the Group's production facilities, the Board is of the view that the risk of material reliance on the Raw Material Suppliers is low as the Group would be able to readily source from the Independent Suppliers. In respect of the Group's sales, corn starch and other corn refined products are widely used in the downstream corn refinery industry. Due to the sizable demand in the downstream market, the Board is of the view that the risk of material reliance on the Product Purchasers is low as it may still sell corn starch and other corn refined products to the Independent Purchasers if it so wishes, and may reduce sales to the Product Purchasers as it gradually regains its foothold in the market after the resumption of the Group's Jinzhou production facilities. As at the Latest Practicable Date, the Group has over 300 existing Independent Purchasers for the Group's downstream products in respect of its Shanghai production site, and over 100 Independent Purchasers for the Group's upstream products in respect of its Jinzhou production site prior to its suspension of operation. Since both the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement are non-exclusive in nature, the Group is always free to procure from Independent Suppliers and sell to the Independent Purchasers, the risk of any material adverse change to or termination of the business relationship with the Raw Materials Suppliers and the Product Purchasers, if any, can be effectively mitigated by sourcing from and selling to the Independent Suppliers and the Independent Purchasers.

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- (d) As disclosed in the paragraph headed “6. Implications under the Listing Rules” below, Ruihao (Guangzhou) is an associate of Mr. Kong and Mr. Wang, DDT Supply Chain is an associate of Mr. Wang, and Jilin Huasheng Trading is an associate of each of Mr. Li and Hong Kong Huasheng. As a result of such close relationships between the contracting parties and the management of the Group, the Board does not expect any material adverse change to the well-established relationships between the Group and the Raw Material Suppliers and the Product Purchasers in the foreseeable future.

Based on the above, coupled with the internal control measures to be put in place to monitor the transactions under each of the 2024 Master Purchase Agreement and 2024 Master Sales Agreement as set out in the paragraphs headed “2. 2024 MASTER PURCHASE AGREEMENT – (d) Reasons and benefit of the 2024 Master Purchase Agreement – Internal control measures” and “3. 2024 MASTER SALES AGREEMENT – (d) Reasons and benefit of the 2024 Master Sales Agreement – Internal control measures”, the Board is of the view that the risk of material reliance on the Raw Material Suppliers and the Product Purchasers is low, and that appropriate measures have been and will be taken to prevent any such issue of reliance.

5. INFORMATION OF THE PARTIES

The Group

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

Ruihao (Guangzhou)

Ruihao (Guangzhou) is a company established in the PRC with limited liabilities and principally engaged in property management, grain storage and wholesale and trading grain by-products. Ruihao (Guangzhou) is ultimately owned as to 65% by Mr. Kong and 35% by Mr. Wang as at the Latest Practicable Date.

DDT Supply Chain

DDT Supply Chain is a company established in the PRC with limited liabilities and principally engaged in wholesale and trading of primary agricultural products, including but not limited to starch, starch sugar and other corn refinery products. As at the Latest Practicable Date, DDT Supply Chain is owned as to 26% by Mr. Wang, 25% by Ms. Wang Guan who is the daughter of Mr. Wang, 25% by Ms. Kong Fanxi who is the daughter of Mr. Kong and 24% by Mr. Huang Yonghang who is the nephew of Mr. Kong.

Jilin Huasheng Trading

Jilin Huasheng Trading is a company established in the PRC with limited liabilities and principally engaged in the trading of food, beverages, agricultural and sideline products, and fossil fuel. As at the Latest Practicable Date, Jilin Huasheng Trading is owned as to 1% by Mr. Li, and 99% by Mr. Li Tingsheng, Mr. Li's father.

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6. IMPLICATIONS UNDER THE LISTING RULES

As the Latest Practicable Date, Ruihao (Guangzhou) is ultimately owned as to 65% by Mr. Kong and 35% by Mr. Wang; DDT Supply Chain is owned as to 51% by Mr. Wang and his family member and 49% by Mr. Kong's family member and relative; and Jilin Huasheng Trading is owned as to 1% by Mr. Li and as to 99% by Mr. Li Tingsheng, Mr. Li's father, and is the holding company of Hong Kong Huasheng, a substantial Shareholder. Therefore Ruihao (Guangzhou) is an associate of Mr. Kong and Mr. Wang, DDT Supply Chain is an associate of Mr. Wang, and Jilin Huasheng Trading is an associate of each of Mr. Li and Hong Kong Huasheng. Each of Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the proposed annual caps under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement for the three years ending 31 December 2027 is more than 5% and the consideration exceeds HK\$10 million each, the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, and their respective proposed annual caps are, therefore, subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. DISCLOSURE OF DIRECTORS' INTERESTS

Since Mr. Kong is one of the beneficial owners of Ruihao (Guangzhou), whereas Mr. Wang is one of the beneficial owners of both Ruihao (Guangzhou) and DDT Supply Chain, and Jilin Huasheng Trading is entirely owned by Mr. Li and Mr. Li's father, Mr. Li Tingsheng, each of Mr. Kong, Mr. Wang and Mr. Li is considered to have material interest in the transactions under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement. Mr. Kong, Mr. Wang and Mr. Li have abstained from voting on the Board meeting approving the contemplated transactions under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the Purchase Annual Caps and the Sales Annual Caps. Save as disclosed, none of the Directors have a material interest in the 2024 Master Purchase Agreement, the transactions contemplated thereunder (including the Purchase Annual Caps), the 2024 Master Sales Agreement and the transactions contemplated thereunder (including the Sales Annual Caps).

8. EGM

The Company will convene the EGM at 35/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong at 10:30 a.m. on Friday, 20 December 2024 to consider and, if thought fit, approve the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements (i.e. the Purchase Annual Caps and the Sales Annual Caps). A notice of the EGM is set out on pages 55 to 57 of this circular.

LETTER FROM THE BOARD

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

Mr. Kong, Mr. Wang, Hong Kong Huasheng and their associates, and any Shareholders who are materially interested in the 2024 Master Purchase Agreement, the 2024 Master Sales Agreement and the respective continuing connected transactions contemplated thereunder, including the Purchase Annual Caps and the Sales Annual Caps, are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the continuing connected transactions under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as their respective proposed annual caps.

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, (i) Mr. Wang and its associates, Rich Mark Profits Limited, held an aggregate of 419,362,215 issued Shares; (ii) Mr. Kong held 359,654,215 issued Shares; (iii) Hong Kong Huasheng held 362,788,856 issued Shares, representing approximately 22.2%, 19.0% and 19.2% of the entire issued share capital of the Company as at the Latest Practicable Date, respectively. All parties who will be required to abstain from voting for the relevant resolutions at the EGM are entitled to exercise control over the voting right(s) in respect of their respective Shares.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 10:30 a.m. on Wednesday, 18 December 2024 (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.

9. RECOMMENDATION

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 IFA) consider that the continuing connected transactions under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements (i.e. the Purchase Annual Caps and the Sales Annual Caps) are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions in the terms as set out in the notice of the EGM.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular which contains its advice to the Independent Shareholders regarding the continuing connected transactions under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements (i.e. the Purchase Annual Caps and the Sales Annual Caps), the letter from IFA set out on pages 27 to 50 of this circular which contains its advice to the Independent Board Committee and the Independent

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Shareholders regarding the continuing connected transactions under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, the proposed annual caps under the respective agreements (i.e. the Purchase Annual Caps and the Sales Annual Caps) and the principal factors and reasons taken into consideration in arriving at its advice, and the additional information set out in the appendix to this circular.

By order of the Board
Global Sweeteners Holdings Limited
Wang Tieguang
Joint Chairman



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

2 December 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(I) 2024 MASTER PURCHASE AGREEMENT FOR THE PROCUREMENT OF
COAL, CORN KERNELS, CORN STARCH AND SUGAR SYRUP; AND
(II) 2024 MASTER SALES AGREEMENT FOR THE SALE OF CORN STARCH
AND OTHER CORN REFINED PRODUCTS**

We refer to the circular issued by the Company to its shareholders and dated 2 December 2024 (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement constitute continuing connected transactions for the Company and are subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements (i.e. the Purchase Annual Caps and the Sales Annual Caps) and to advise the Independent Shareholders in connection with the continuing connected transactions as contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement as to whether, in our opinion, the terms of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement and the related annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps) are fair and reasonable and whether such continuing connected transactions are in the interests of the Company and its shareholders as a whole. Octal Capital has been appointed as the IFA to advise us and the Independent Shareholders in this respect.

** For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from IFA as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Octal Capital, as set out in its letter of advice, we consider that the respective terms and conditions of each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement and the related annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps) are fair and reasonable. We also consider that the respective continuing connected transactions as contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the continuing connected transactions as contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement and the related annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps) at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Li Guichen

Independent non-executive Directors

Liu Ying

Lo Kwing Yu

LETTER FROM IFA



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

2 December 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 2 December 2024 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 17 October 2024, the Company entered into the 2024 Master Purchase Agreement with Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading for the procurement of raw materials including coal, corn kernels, corn starch and sugar syrup by the Group from Ruihao (Guangzhou) Group, DDT Supply Chain Group, Jilin Huasheng Trading Group and their respective associated companies from time to time on an ongoing basis for a period of three years from 1 January 2025 to 31 December 2027.

On 17 October 2024, the Company entered into the 2024 Master Sales Agreement with Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading for the sale of corn starch and other corn refined products, including but not limited to gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals from the Group to Ruihao (Guangzhou) Group, DDT Supply Chain Group, Jilin Huasheng Trading Group and their respective associated companies from time to time on an ongoing basis for a period of three years from 1 January 2025 to 31 December 2027.

As at the Latest Practicable Date, Ruihao (Guangzhou) is ultimately owned as to 65% by Mr. Kong and 35% by Mr. Wang; whereas DDT Supply Chain is owned as to 51% by Mr. Wang and his family member and 49% by Mr. Kong’s family member and relative; and Jilin Huasheng Trading is owned as to 1% by Mr. Li and as to 99% by Mr. Li’s father, and is the holding company of Hong Kong Huasheng, a substantial Shareholder. Therefore, Ruihao (Guangzhou) is an associate of Mr. Kong and Mr. Wang; DDT Supply Chain is an associate of Mr. Wang, and Jilin Huasheng Trading is an associate of each of Mr. Li and Hong Kong Huasheng. Each of Ruihao (Guangzhou), DDT Supply Chain and Jilin Huasheng Trading is a connected person of the Company under Chapter 14A of the Listing Rules.

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Since the highest applicable percentage ratio for the proposed annual caps under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement for the three years ending 31 December 2027 is more than 5% and the consideration exceeds HK\$10 million each, the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements are, therefore, subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In this connection, the Company will seek the Independent Shareholders' approval for the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements, are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and will advise the Independent Shareholders on how to vote at the EGM.

OUR INDEPENDENCE

We, Octal Capital Limited, have been appointed by the Company as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the last two years, we were engaged by the Company as an independent financial adviser to the Company (the "**Previous Engagements**") in respect of (i) the connected transactions in relation to disposal of entire equity interests of two subsidiaries of the Company and provision of counter-guarantee and indemnity of the Group and the issue of the Convertible Bonds under specific mandate (details of which can be referred to the circular of the Company dated 31 May 2023) and (ii) the mandatory unconditional cash offer (details of which can be referred to the composite document of the Company dated 27 December 2023). Under the Previous Engagements, we were required to express our opinion and give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the relevant transactions. The Previous Engagements were limited to providing independent advisory services to the independent non-executive Directors and the independent Shareholders of the Company, for which we received normal professional fees. As such, we do not consider that the Previous Engagements would affect our independence to act as the IFA under the current appointment.

Apart from normal professional fees paid and payable to us by the Company in connection with the Previous Engagements and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executives of the Company and substantial Shareholders or any of their respective subsidiaries or associates. We are not connected with the directors, chief executives and substantial shareholders of the Company, the Group, Ruihao (Guangzhou), DDT Supply Chain, Jilin Huasheng Trading or any of their respective subsidiaries or associates, and do not have any shareholding,

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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 IFA 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 date of the Circular. We have also relied on our discussions with the management of the Company regarding the Group, the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information among other things, (i) the 2024 Master Purchase Agreement; (ii) the 2024 Master Sales Agreement; (iii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); (iv) other information as set out in the Circular; and (v) the relevant market data and information available from public sources, to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement, as well as the proposed annual caps under the respective agreements, 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 sweeteners, categorised into upstream and downstream products. Corn kernels are core raw materials of the Group’s upstream products. The corn kernels will be refined to corn starch, gluten meal, fiber and corn oil and these are the upstream products of the Group. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (which includes glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (which includes maltodextrin).

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As at the Latest Practicable Date, the Group only maintains its production activities in the Shanghai production site while the Jinzhou production site is currently undergoing refurbishment in preparation to resume its production in December 2024.

During the first six months of 2024, the Group completed its debt restructuring and made significant progress in reducing the Group's gearing level. Further details will be discussed in the below section headed "5. Financial information of the Group".

2. Background of Ruihao (Guangzhou)

Ruihao (Guangzhou) is a company established in the PRC with limited liabilities and principally engaged in property management, grain storage and wholesale and trading grain by-products.

3. Background of DDT Supply Chain

DDT Supply Chain is a company established in the PRC with limited liabilities and principally engaged in wholesale and trading of primary agricultural products, including but not limited to starch, starch sugar and other corn refinery products.

4. Background of Jilin Huasheng Trading

Jilin Huasheng Trading is a company established in the PRC with limited liabilities and principally engaged in the trading of food, beverages, agricultural and sideline products and fossil fuel.

5. 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 2022 and 2023 (the "FY2022" and "FY2023"), and unaudited financial information of the Group for the six months periods ended 30 June 2023 and 30 June 2024 (the "HY2023" and "HY2024") extracted from the 2023 Annual Report and the 2024 Interim Report.

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	HY2024 <i>(Unaudited)</i> <i>HK\$'000</i>	HY2023 <i>(Unaudited)</i> <i>(Re-presented)</i> <i>(Note 2)</i> <i>HK\$'000</i>	FY2023 <i>(Audited)</i> <i>HK\$'000</i>	FY2022 <i>(Audited)</i> <i>(Re-presented)</i> <i>(Note 2)</i> <i>HK\$'000</i>
Continuing Operations				
Revenue	332,475	193,661	440,813	359,567
Gross profit	11,371	19,980	36,618	27,267
Gross margin	3.4%	10.3%	8.3%	7.6%
Other income and gains	64,272	3,499	11,476	14,078
Gain on debt restructuring <i>(Note 1)</i>	167,615	–	–	–
Operating expenses	(62,826)	(72,333)	(149,839)	(149,143)
Finance costs	<u>(14,831)</u>	<u>(21,463)</u>	<u>(42,442)</u>	<u>(41,040)</u>
Profit/(loss) before tax from continuing operations	165,601	(70,317)	(144,187)	(148,838)
Income tax credit	<u>–</u>	<u>4,955</u>	<u>4,367</u>	<u>7,431</u>
Profit/(loss) after tax from continuing operations	165,601	(65,362)	(139,820)	(141,407)
Discontinued Operations <i>(Note 2)</i>				
(Loss)/profit for the period/year from discontinued operations	<u>–</u>	<u>(18,577)</u>	<u>429,336</u>	<u>(71,084)</u>
Profit/(loss) for the period/year	165,601	(83,939)	289,516	(212,491)
Excluding one-off items:				
Gain on disposal of the Retail Group (as defined below)	(54,084)	–	–	–
Gain on debt restructuring <i>(Note 1)</i>	<u>(167,615)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Adjusted (loss)/profit for the period/year	<u>(56,098)</u>	<u>(83,939)</u>	<u>289,516</u>	<u>(212,491)</u>

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Notes:

1. The Group recognised a one-off gain on debt restructuring of approximately HK\$167.6 million during HY2024 because the Group completed its debt restructuring.
2. On 6 April 2023, three subsidiaries of the Company and Global Bio-Chem Technology (HK) Limited entered into a sales and purchase agreement to transfer Changchun Dihao Crystal Sugar Industry Development Co., Ltd.* (長春帝豪結晶糖開發實業有限公司) and Changchun Dihao Foodstuff Development Co., Ltd.* (長春帝豪食品發展有限公司) from the Group to Global Bio-Chem Technology (HK) Limited and the completion of the transaction took place on 21 December 2023 (the “**Dihao Completion**”). Followed by the Dihao Completion, the Group classified the subsidiaries being sold as discontinued operations. As such, in 2023 Annual Report and 2024 Interim Report, the financial results of the subsidiaries being sold for the corresponding period had been re-presented as discontinued operations of the Group throughout the consolidated financial statements of the Group pursuant to the HKFRS5.

FY2023 vs FY2022

The Group’s revenue from its continuing operations increased by approximately 22.6% from approximately HK\$359.6 million for FY2022 to approximately HK\$440.8 million for FY2023, which was mainly attributable to the resumption of the Shanghai production site since the second quarter of 2022 from its temporary suspension. With the resumption of Shanghai production site, the sales volume from continuing operations of the Group increased by approximately 34.9% to approximately 116,000 MT (FY2022: 86,000 MT) during FY2023.

The Group’s gross profit from its continuing operations increased from HK\$27.3 million in FY2022 to HK\$36.6 million in FY2023. Such increase was mainly attributable to the growth in sales volume with gross profit margin increased from approximately 7.6% in FY2022 to approximately 8.3% in FY2023.

The operating expenses from the continuing operations of the Group remained stable, as compared with the growth in sales volume, which was mainly attributable to effective cost control measures on selling and administrative expenses during FY2023.

The finance costs from the continuing operations of the Group increased by approximately 3.4% to approximately HK\$42.4 million (FY2022: HK\$41.0 million). Such increase was mainly attributable to the additional interest on the amount payable due to a former fellow subsidiary since September 2022.

Based on the above discussion, the Group’s loss improved slightly from approximately HK\$141.4 million in FY2022 to approximately HK\$139.8 million in FY2023.

HY2024 vs HY2023

After the completion of sales of Shares from the former controlling Shareholder, Global Corn Bio-Chem Technology Company Limited, to Mr. Wang and Mr. Kong, and the Dihao Completion took place in December 2023, the management of the Group has concentrated on the operation of its Shanghai production site. The Group’s revenue, which was derived from the production and sales activities of the Shanghai production site, increased by approximately 71.7% from approximately

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HK\$193.7 million for HY2023 to approximately HK\$332.5 million for HY2024. The improvement was contributed by various measures taken by the Group for maximising the production volume to combat the operating costs.

The Group's gross profit from continuing operations decreased from HK\$20.0 million in HY2023 to HK\$11.4 million in HY2024, with the gross profit margin decreased from approximately 10.3% in HY2023 to approximately 3.4% in HY2024. The decrease in gross profit margin was due to the intense market competition on sweeteners segment and the gap between domestic sugar production and demand has narrowed. The average unit selling price of sweeteners products dropped by 16.3% during HY2024.

In April 2024, the Company (as seller) entered into a sales and purchase agreement with an independent third party (as buyer) under which the Company transferred Global Sweeteners Retail Investment Company Limited and its subsidiaries which were mainly investment holding and inactive companies (the **"Retail Group"**) to an independent third party, at a total consideration of HK\$1.0. The disposal of the Retail Group completed on 17 April 2024.

The operating expenses from continuing operations of the Group decreased by approximately 13.1% to approximately HK\$62.8 million (HY2023: HK\$72.3 million), mainly due to continuing effective cost control measures and reduction in expenses in relation to the idle capacity because of the increase in utilisation rate of the Shanghai production facilities during HY2024, where the utilisation rate of Shanghai production facilities increased from around 60.0% in HY2023 to around 85.2% in HY2024.

The finance costs from continuing operations of the Group decreased by approximately 31.2% to approximately HK\$14.8 million (HY2023: HK\$21.5 million), which was mainly attributable to the completion of the debt restructuring agreement (the **"Debt Restructuring Agreement"**) dated 28 December 2023 and entered into between (i) the Jilin Branch of China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司吉林省分公司) (**"Jilin Cinda"**), as creditor, (ii) Jinzhou Yuancheng Bio-Chem Technology Co., Ltd. (**"Jinzhou Yuancheng"**) (which is an indirect wholly-owned subsidiary of the Company), as debtor, and (iii) Shanghai Haocheng, as guarantor, pursuant to which the Group has agreed to repay to Jilin Cinda RMB88.0 million (the **"Settlement Amount"**) within 30 days from the date of the Debt Restructuring Agreement (i.e. on or before 26 January 2024) for the settlement of the loans (the **"Yuancheng CCB Loans"**) with the aggregate principal amount being RMB188.7 million together with outstanding interest transferred from the Jinzhou Branch of China Construction Bank Corporation* (中國建設銀行股份有限公司錦州分行) to Jilin Cinda. The completion of the Debt Restructuring Agreement significantly decreased the debt level of the Group.

As shown in the above table, after excluding the two one-off items, the Group's adjusted loss for the period has been improved materially from approximately HK\$84.0 million in HY2023 to approximately HK\$56.1 million in HY2024.

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Review of financial position

Major items of the audited consolidated financial position of the Group as at 31 December 2023 and the unaudited consolidated financial position of the Group as at 30 June 2024 extracted from 2024 Interim Report are summarised in the following table.

	As at	
	30 June 2024	31 December 2023
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	291,242	312,325
Other non-current assets	36,577	40,517
Non-current assets	327,819	352,842
Inventories	34,744	34,154
Trade receivables	105,459	67,952
Prepayments, deposits and other receivables	10,472	106,857
Cash and bank balances	5,565	13,552
Current assets	156,240	222,515
Total assets	484,059	575,357
Convertible Bonds	16,812	–
Other non-current liabilities	474	352
Non-current liabilities	17,286	352
Trade payables	114,064	138,045
Interest-bearing bank and other borrowings	228,495	440,910
Other current liabilities	304,053	377,905
Current liabilities	646,612	956,860
Total liabilities	663,898	957,212
Net current liabilities	490,372	734,345
Net liabilities	179,839	381,855
Borrowings and Convertible Bonds	245,307	440,910
Gearing ratio ^{<i>Note</i>}	50.7%	76.6%

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

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The total assets of the Group decreased from approximately HK\$575.4 million as at 31 December 2023 to approximately HK\$484.1 million as at 30 June 2024, because Jilin Cinda confirmed in writing that the terms and conditions stipulated in the Debt Restructuring Agreement have been fulfilled in January 2024, and the prepayment to Jilin Cinda of RMB88.0 million, for the purpose of the settlement of the Yuancheng CCB Loans, has been offset with the other borrowings. Cash and bank balances decreased from approximately HK\$13.6 million as at 31 December 2023 to HK\$5.6 million as at 30 June 2024.

The total liabilities of the Group decreased significantly from approximately HK\$957.2 million as at 31 December 2023 to approximately HK\$663.9 million as at 30 June 2024. The total amount of borrowings and the Convertible Bonds substantially decreased from approximately HK\$440.9 million as at 31 December 2023 to approximately HK\$245.3 million as at 30 June 2024. The reduction of liabilities and borrowings was mainly contributed to the completion of Debt Restructuring Agreement in January 2024.

Despite the material improvement in debt position, the Group still maintained net liabilities position of approximately HK\$179.8 million as at 30 June 2024 and the Group will take various measures to improve its financial position and liquidity to a healthy condition.

6. Reasons for and benefits of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement

2024 Master Purchase Agreement

As at the Latest Practicable Date, the Group's Shanghai production site is in operation while the production in the Jinzhou production site had been entirely suspended since mid of 2020. The Group is currently conducting the refurbishment project for the Jinzhou production facilities which will be completed in December 2024, and the Jinzhou production site will gradually resume production from December 2024 onward.

As disclosed in the Letter from the Board, the Group plans to resume its upstream operation in the Jinzhou production site to produce corn starch and other corn refined products for sale. In order to meet the initial production needs of the Jinzhou production site, the Group needs a stable supply of a huge amount of corn kernels and coal, being the major raw materials to drive the upstream production in the Jinzhou production site. As the Raw Material Suppliers, being wholesalers and traders of primary agricultural products and fossil energy products, maintain close business relationships with local suppliers of corn kernels and fossil energy, they are capable to source a large quantity of corn kernels and coal from Northeast China at a lower price. As such, the Group would like to add the Raw Material Suppliers in their supplier list to expand the Group's sourcing network.

The management of the Company considers that a stable and reliable supply of corn kernels and coal is a key factor to maintain smooth operation of the production and delivery of the finished goods to the clients on a timely basis. Since the Jinzhou production site has been stopped operation for a long time, the Group needs to regain customers' confidence on the Group's products and services by providing timely delivery of good quality finished products.

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During HY2024, although the Group generated revenue of HK\$332.5 million, the Group recorded net cash outflow from its operating activities of HK\$62.5 million and has been facing very tight cash flow. Pursuant to the terms of the 2024 Master Purchase Agreement, the Raw Material Suppliers allow the Group to settle procurement costs after the receipts of corn kernels, corn starch and sugar syrup with credit period not less than 5 days and coal with a credit period up to 30 days, and no prepayment is required. As compared to payment terms offered by the Independent Suppliers, they usually request prepayment and cash on delivery for corn kernels, corn starch and sugar syrup and the Independent Suppliers of coal normally require prepayment of a certain percentage of purchase price as deposit and offer a 30-day credit period for the remaining balance. Therefore, procuring the raw materials from the Raw Material Suppliers could ease cash flow pressure of the Group.

As disclosed in the Letter from the Board, under the Existing Master Purchase Agreements, Ruihao (Guangzhou) and DDT Supply Chain have been providing a stable supply of quality corn starch and sugar syrup for the Shanghai production site since 1 January 2023. During HY2024, the revenue contributed by Shanghai Haocheng was approximately HK\$332.5 million, representing an increment of approximately 71.7% as compared to the revenue of approximately HK\$193.7 million in HY2023. In light with the revenue improvement of Shanghai Haocheng, it intends to maintain the existing supplier relationship with Ruihao (Guangzhou) and DDT Supply Chain and further explore new source of raw materials supply from Jilin Huasheng Trading. Although the Jinzhou production site will soon resume to produce corn starch, it remains uncertain about the production stability of corn starch in the Jinzhou production site and it is costly to transfer the corn starch from Jinzhou to Shanghai. Therefore, Shanghai Haocheng must engage its own suppliers of corn starch to ensure that there are sufficient raw materials for its production of corn sweeteners.

Besides, the 2024 Master Purchase Agreement is a non-exclusive arrangement, and the Group has no procurement commitment with the Raw Material Suppliers. The Group has the flexibility to source corn kernels, coal, corn starch and sugar syrup from the Independent Suppliers when the prices and terms offered by the Independent Suppliers are more favourable than those offered by the Raw Material Suppliers.

Having considered that (i) the Group needs a stable supply of corn kernels and coal for the resumption of the Jinzhou production site; (ii) the Raw Material Suppliers offer better payment terms which help the Group to improve its cash flow liquidity; (iii) Shanghai Haocheng would like to continue the existing supplier relationship with Ruihao (Guangzhou) and DDT Supply Chain and further explore cooperation with Jilin Huasheng Trading; and (iv) the 2024 Master Purchase Agreement is non-exclusive in nature which does not prohibit the Group sourcing raw materials from the Independent Suppliers, we are of the view that entering into the 2024 Master Purchase Agreement has a strong commercial rationale and is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

2024 Master Sales Agreement

The Jinzhou production site has been completely suspended its production since mid of 2020 and the sale relationships with old customers have been stopped for a few years. The Group is currently reconnecting with old customers and is promoting the new facilities of Jinzhou production site with potential customers in order to solicit sales orders. We understand from the management of the Group

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that it would take some time to regain market foothold and secure more favourable sales orders from the Independent Purchasers. As mentioned in the Letter from the Board, the Group can take advantage of the existing sales network of the Product Purchasers to re-build its brand reputation and gain access to new sales channels by selling the Group's products through the sales network of the Product Purchasers. On the other hand, the 2024 Master Sales Agreement is non-exclusive in nature without any sales commitment with the Product Purchasers and does not preclude the Group from selling its finished products to the Independent Purchasers.

The Product Purchasers are willing to make payment in advance as compared to other customers who request payment by instalment after product delivery. The settlement arrangement with the Product Purchasers will improve the Group's cash flow. In particular, given that Jinzhou's production activities are in its initial resumption stage, the Group is in need of working capital to ensure continuous operations.

Having considered that (i) the Group can utilise the Product Purchasers' existing network to distribute the Group's products and rebuild the Group's reputation; (ii) the sales prepayment from the Product Purchasers helps improving the Group's cash flow; and (iii) the non-exclusive nature of the 2024 Master Sales Agreement provides an alternative sales channel to the Group without incurring substantial sales and marketing cost; we are of the view that entering into the 2024 Master Sales Agreement is commercially justified and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

7. Terms of the 2024 Master Purchase Agreement

Pursuant to the 2024 Master Purchase Agreement, the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser, agrees to purchase, and each of the Raw Material Suppliers, as suppliers, agrees to supply to the Group coal, corn kernels, corn starch and sugar syrup. The 2024 Master Purchase Agreement shall be effective for a period of three years from 1 January 2025 to 31 December 2027.

The Group shall enter into separate purchase orders with the Raw Material Suppliers from time to time during the terms of the 2024 Master Purchase Agreement for the purpose of confirming the purchase by the Group and the terms of such transaction. Such purchase orders shall specify the detailed terms of the purchase, including but not limited to form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that (i) payment shall only be made after the receipt of the products; (ii) the rate of interest that may be charged by any of the Raw Material Supplier(s) for late payment of the Group shall not exceed the rate of interest charged by the Independent Suppliers of the same kind of products to the Group for late payment from time to time; and (iii) such separate purchase orders shall be for a fixed term and in any event not exceeding the term of the 2024 Master Purchase Agreement, at pricing terms and otherwise on terms in compliance with those set out in the 2024 Master Purchase Agreement.

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Pricing method – corn kernels

The Raw Material Suppliers shall supply corn kernels to the Group at unit prices not exceeding the higher of the below prices (prices exclusive of transportation and storage, interests, handling charges and/or other outgoing charges such as costs of transit):

- (1) the average unit corn transaction price published on the official website of Dalian Commodity Exchange (www.dce.com.cn) of the latest trade matching day before the proposed date of the making of purchase orders by any member of the Group; or
- (2) the average corn price in Jinzhou Port of Liaoning Province obtained from the Sublime China Information (<https://www.sci99.com>), a third party price consulting platform, on the date immediately before the proposed date of making purchase orders by any member of the Group.

Pricing method – coal, corn starch and sugar syrup

The Raw Material Suppliers shall supply coal, corn starch and sugar syrup to the Group at unit prices (prices exclusive of transportation and storage, interests, handling charges and/or other outgoing charges such as costs of transit) based on market prices from time to time which shall be determined by the quotations obtained by the Group from the Independent Suppliers within 30 days before entering into the purchase orders with the Raw Material Suppliers, and shall not be higher than the lowest unit prices of the same or similar products, or products of similar quality in the most recent quotations from at least three Independent Suppliers.

Review on the terms of 2024 Master Purchase Agreement

We have understood from the management of the Company that the Group did not purchase any corn kernels and coal from the Raw Material Suppliers or Independent Suppliers because the Jinzhou production site suspended its production from the mid of 2020.

Based on three quotations provided by the Group in October 2024 in relation to the purchase of coal for the Jinzhou production site, we noted that the independent coal supplier requests prepayment before delivery and full settlement of the remaining balance upon delivery or within one month after delivery. Regarding the purchase of corn kernels, corn starch and sugar syrup, the Group advised that these suppliers request cash on delivery and even require payment in advance. Before the production suspension in the Jinzhou production site, farmers supply corn kernels to Jinzhou Yuancheng in exchange for cash on the spot. Besides, we have reviewed 14 procurement transactions with the Independent Suppliers of corn starch and sugar syrup from January 2024 to July 2024 (as detailed below), and we noted that these suppliers request prepayment before delivery and cash payment right after delivery. As the historical transactions reflected the trade conditions in 2024 for products purchased by the Group, we consider that the number of transactions reviewed by us is adequate and representative for assessing the credit terms provided by the Independent Suppliers. However, under the 2024 Master Purchase Agreement, the Raw Material Suppliers are willing to provide a credit period not less than five days for the purchase of corn kernels, corn starch and sugar syrup, and would not request prepayment before delivery of raw materials. The payment schedule of the Raw

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Material Suppliers will help to relieve the Group's tight cash flow. Based on the above, we conclude that the credit terms to be offered by the Raw Material Suppliers are no less favourable than that offered by the Independent Suppliers.

In order to assess the fairness and reasonableness of the price determination mechanism of corn kernels as set out in the 2024 Master Purchase Agreement, we have discussed with the management of the Company and were advised that these two price references were chosen because of their data transparency. We have looked into these two websites and noted that the bid and ask prices of corn kernels in different regions of China are publicly available and easily accessible. The corn futures prices indicated on the website of Dalian Commodity Exchange reflect the market speculation on the corn prices based on the future supply and demand situations. In 2023, the Futures Industry Association, a global trade organisation representing the interests of the futures, options and derivatives markets, ranked the Dalian Commodity Exchange as the ninth largest futures and options exchange worldwide in terms of trading volume. The future prices quoted on the Dalian Commodity Exchange represent the prevailing future corn prices.

The information provided on the Sublime China Information (<https://www.sci99.com>) is an online database which collects and analyses trading data and market information of a large variety of agricultural products and commodity. The Sublime China Information was established since 2004 and is now one of the major market information providers in the PRC which collects actual transaction data of corn in different regions of the PRC and has collaboration related to application of big data with the National Bureau of Statistics of China. We searched from the website and found daily, average monthly and average annual trading prices of corn in Jinzhou and other cities in the PRC. We consider that the price information shown on the two websites are reasonable indicators for the Group to determine the purchase price of corn kernels with the Raw Material Suppliers.

The price mechanism of setting a ceiling price based on the two average price references enables the Company to ensure purchase prices would be set within the range of prevailing market price. Meanwhile, we noticed that during the past 12 months from October 2023 to September 2024, there were times where the price quoted from the Sublime China Information was traded higher than the price quoted from the Dalian Commodity Exchange for the same time interval and vice versa. Taking into account the better credit terms offered by the Raw Materials Suppliers, and other trading terms including corn quality and delivery date, we are of the view that by making reference to the two data sources would be a more practicable way to set a ceiling price that can reflect the then prevailing market price without bias. Having considered the above, we are of the view that the pricing mechanism is fair and reasonable.

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Regarding the historical purchase of corn starch and sugar syrup, we have reviewed a list of purchase transactions conducted by the Group during the seven months ended 31 July 2024 and selected following sets of purchase transactions.

Period	Purchaser	Suppliers	Purchased Products	Sets of Purchase Transactions Reviewed
1 January 2024 to 31 July 2024	Shanghai Haocheng	Independent Suppliers	Corn Starch	7
			Sugar Syrup	7
		DDT Supply Chain	Corn Starch	3
		Ruihao (Guangzhou)	Sugar Syrup	3

For the transactions with the Independent Suppliers, we noted that there are 168 purchase transactions during the seven months ended 31 July 2024 with purchase amount ranging from RMB234 to RMB5.2 million and we selected one set of sample with an amount over RMB90,000 during each month of the seven months ended 31 July 2024.

For the transactions with Ruihao (Guangzhou)/DDT Supply Chain, we noted that there are 688 purchase transactions under 64 purchase orders (36 orders for corn starch and 28 orders for sugar syrup) during the seven months ended 31 July 2024 with purchase amount ranging from RMB1,406 to RMB15.7 million. Among the 64 purchase orders, we have selected the three largest amount of purchase orders for each of Ruihao (Guangzhou) and DDT Supply Chain. The selected three purchase orders from Ruihao (Guangzhou) were sugar syrup purchases, while the selected three purchase orders from DDT Supply Chain were corn starch purchases. We examined one set of purchase transaction from each of these six purchase orders, totaling six sets of purchase transactions. These six sets of purchase transactions represent approximately 10% of the order value of the six selected purchase orders.

For the Independent Suppliers, among the 14 sets of transactions, their unit prices ranged from around RMB2,500 per MT to RMB2,900 per MT for sugar syrup and from around RMB2,600 per MT to RMB3,000 per MT for corn starch. These transactions request prepayment before delivery of goods and immediate payment upon receipt of goods.

For Ruihao (Guangzhou)/DDT Supply Chain, among the six sets of purchase transactions, the purchase prices charged by Ruihao (Guangzhou)/DDT Supply Chain are no less favorable than those charged by the Independent Suppliers for sugar syrup and corn starch, while Ruihao (Guangzhou)/DDT Supply Chain offered a credit period to the Group.

As shown from the selected samples, the purchase terms with Ruihao (Guangzhou)/DDT Supply Chain were no less favorable than those of the Independent Suppliers.

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We noted that the purchase prices and payment terms with the Raw Material Suppliers are determined pursuant to the Existing Master Purchase Agreements. We consider that the above transactions reviewed by us are sufficient and representative for our due diligence propose and we are of the view that the existing purchase transactions with Ruihao (Guangzhou)/DDT Supply Chain are in line with the Existing Master Purchase Agreements.

According to the pricing determination mechanism under the 2024 Master Purchase Agreement in respect of purchase of coal, corn starch and sugar syrup, the Group will obtain quotations from at least three Independent Suppliers and the purchase price charged by the Raw Material Suppliers should not be higher than the lowest unit prices of the same or similar products. We have selected four sets of procurement approval documents in relation to the purchase orders with total purchase amount of RMB31.7 million in respect of purchase of corn starch and sugar syrup conducted with Ruihao (Guangzhou)/DDT Supply Chain during HY2024 on a random basis. We noted that procurement quotations from the Independent Suppliers have been obtained for comparing the price and payment terms offered by Ruihao (Guangzhou)/DDT Supply Chain. The procurement quotations were reviewed by the procurement department and the final trading terms with the Raw Material Suppliers were approved by the accounting department and general manager of Shanghai Haocheng. We noted that the existing internal approval procedures could ensure the procurement transactions with the Raw Material Suppliers to be in line with the price determination mechanism of the Existing Master Purchase Agreements. As such, procurement transactions were conducted on normal commercial terms and on terms no less favourable to those of Independent Suppliers. Since the above-mentioned internal approval procedures also apply to the 2024 Master Purchase Agreement, we consider that these internal approval procedures can ensure the future procurement transactions with the Raw Material Suppliers to be in line with the price determination mechanism under the 2024 Master Purchase Agreement.

8. Terms of the 2024 Master Sales Agreement

Pursuant to the 2024 Master Sales Agreement, the Company (for itself and on behalf of its subsidiaries from time to time), as supplier, agrees to supply, and each of the Product Purchasers, as purchaser, agrees to purchase from the Group corn starch and other corn refined products, including but not limited to gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals. The 2024 Master Sales Agreement shall be effective for a period of three years from 1 January 2025 to 31 December 2027.

Each of the Product Purchasers shall enter into separate sales contracts with the Group from time to time during the terms of the 2024 Master Sales Agreement for the purpose of confirming the terms of such sales transaction. Such sales contracts shall specify the detailed trading terms, including but not limited to form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that (i) the rate of interest charged by the Group for late payment of any of the Product Purchaser(s) shall be no less than the rate charged by the Group to the Independent Purchasers of the same kind from time to time; (ii) the rate of interest, that may be charged by any of the Product Purchaser(s) for late delivery of products from the Group, shall not exceed the rate charged by the Independent Purchasers of the same kind of products to the Group for late delivery from time to time; (iii) payment can be made in advance; and

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(iv) such separate sales contracts shall be for a fixed term and in any event not exceeding the term of the 2024 Master Sales Agreement, at pricing terms and otherwise on terms in compliance with those set out in the 2024 Master Sales Agreement.

Pricing method

The selling prices of corn starch and other corn refined products shall be based on the market prices from time to time which shall be determined by the average unit prices (price exclusive of transportation and storage, interests, handling charges and/or other outgoing charges such as costs of transit) of the same or similar products supplied by the Group to the Independent Purchasers for the most recent five occasions, generally within three months. The selling price of corn starch and other corn refined products under the 2024 Master Sales Agreement shall, in any event, be no less than such average unit price.

Review on the terms of 2024 Master Sales Agreement

The Group suspended its upstream production from the mid of 2020 and thus no sales transactions were conducted by Jinzhou Yuancheng in FY2023 and up to the Latest Practicable Date. In order to assess the fairness and reasonableness of the price determination as set out in the 2024 Master Sales Agreement, we have selected three sets of sales contracts entered between the Independent Purchasers and Shanghai Haocheng in HY2024 on a random basis. We noted that Independent Purchasers settle the selling prices after delivery with a credit period and no sales prepayment has been made to Shanghai Haocheng and additional charges will be imposed for late payments from customers. We consider that the sales terms contemplated under the 2024 Master Sales Agreement are similar to those agreed with the Independent Purchasers while the Product Purchasers are willing to make upfront payment which could enhance the cash inflow to the Group.

Pursuant to the 2024 Master Sales Agreement, the Group will make reference to the five sales transactions conducted between the Group and the Independent Purchasers within the recent three months to determine the threshold of selling prices charged to the Product Purchasers. We consider that the reference period for the five sales transactions captures the prevailing market price conditions and provides a relevant benchmark for determining the selling price to be charged to the Product Purchasers. We checked the number of sales transactions conducted by Jinzhou Yuancheng from October 2019 to December 2019 (before the production suspension) and noted that there are around 680 sets of sales transactions with Independent Purchasers for six different types of products. Having considered Jinzhou Yuancheng's historical transaction scale, we consider that there should be sufficient number of sale transactions with Independent Purchasers for determining the selling prices with the Product Purchasers.

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9. Purchase Annual Caps

The following table sets out the proposed annual caps of the 2024 Master Purchase Agreement for the years ending 31 December 2025 (“FY2025”), 31 December 2026 (“FY2026”) and 31 December 2027 (“FY2027”):

Raw materials	FY2025			FY2026			FY2027		
	Estimated Quantity (MT)	Estimated Price (HK\$)	Estimated Amount (HK\$ million)	Estimated Quantity (MT)	Estimated Price (HK\$)	Estimated Amount (HK\$ million)	Estimated Quantity (MT)	Estimated Price (HK\$)	Estimated Amount (HK\$ million)
Corn kernels	516,000	2,154	1,111	500,000	2,219	1,109	400,000	2,285	914
Corn starch	72,000	3,078	222	63,000	3,170	200	52,920	3,266	173
Sugar syrup	42,000	2,655	111	36,750	2,735	101	30,870	2,817	87
Coal	108,000	588	64	104,000	606	63	83,000	624	52
Purchase Annual Caps (tax exclusive)			1,508			1,473			1,226

The Purchase Annual Caps for the three years ending 31 December 2027 are approximately HK\$1,508 million, HK\$1,473 million and HK\$1,226 million respectively. We have obtained a list of estimated purchase volume of coal, corn kernels, corn starch and sugar syrup which sum up to the proposed annual caps. We understand from the management of the Company that the Purchase Annual Caps are prepared on the basis of multiplying the estimated unit price of each product by the estimated quantity to be purchased by the Group from the Raw Material Suppliers. The Group estimates that the proportion of raw materials to be procured from the Raw Material Suppliers will be 60%, 50% and 40% of total estimated procurement volume for FY2025, FY2026 and FY2027, respectively.

Estimated purchase volume from the Raw Material Suppliers

Jinzhou production site is currently undergoing refurbishment to reach a maximum annual corn processing capacity of 1,000,000 MT corn kernels. As the Group is rebuilding its clientele, Jinzhou Yuancheng will recover its processing capacity to be around 86% in FY2025 and 100% during FY2026 and FY2027. Since Jinzhou Yuancheng is reconnecting with old customers and is finding new customers to restart the business relationship and solicit more sales orders, we believe that the estimated processing capacity of corn kernels is reasonable.

Jinzhou Yuancheng has remodeled its boiler system to lower pollutants emissions and increase its energy usage efficiency. We compared against the coal consumption usage in 2019 when Jinzhou Yuancheng was still in production, in which processing one MT of corn kernels consumed around 0.3 MT of coal. Since Jinzhou Yuancheng is planning to lower the emission of pollutants by reducing coal consumption, it is estimated that processing one MT of corn kernels will consume around 0.21 MT of coal. Based on the yearly corn processing capacity of corn kernels in the coming three years, the estimated consumption of coal will be 180,000 MT in FY2025 and 209,000 MT in FY2026 and FY2027.

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Shanghai Haocheng purchased approximately 59,844 MT of corn starch and 33,016 MT of sugar syrup during the first six months of 2024, among of which around 93.2% and 55.5% were bought from the Raw Material Suppliers. As advised by the management of the Company, the business of Shanghai Haocheng is relatively stable and thus the estimated annual purchase volume of corn starch and sugar syrup in FY2025 are determined based on the actual purchase volume for the first seven months of 2024, and thus the annualised volumes are around 120,000 MT for corn starch and around 70,000 MT for sugar syrup. For FY2026 and FY2027, the annual purchase volume of corn starch and sugar syrup will be slightly increased by 5%. Considering that the utilisation rate of Shanghai production facilities increased from around 60.0% of HY2023 to around 85.2% of HY2024 and the management of the Company expects the utilisation rate to further increase with the improvement in liquidity of the Group in the coming years, we are of the view that the 5% increment in purchase volume in FY2026 and FY2027 are reasonable.

Since the Raw Material Suppliers allow the Group to pay the purchase cost after the receipt of the products and did not request purchase prepayment, a higher allocation of purchase orders to the Raw Material Suppliers will help to improve the Group's liquidity during the initial state of resumption in the Jinzhou production site. Once the business and production of Jinzhou Yuancheng are getting more stable and sustainable, the Group will gradually reduce its procurement portion with the Raw Material Suppliers.

With reference to the stable operation of Shanghai Haocheng, the gradual production resumption of Jinzhou Yuancheng and the reduction in the future reliance on the Raw Material Suppliers, the volume of procurement from the Raw Material Suppliers in the coming three years are considered not excessive.

Estimated purchase price of each product

For corn kernels, corn starch, sugar syrup and coal, the management of the Company adopted tax inclusive purchase price of RMB2,160 per MT, RMB3,200 per MT, RMB2,760 per MT, and RMB612 per MT in calculating the proposed annual caps in FY2025. The unit price is estimated to increase by 3% per annum in FY2026 and FY2027. As shown in the above table, the estimated purchase prices are exclusive of value added tax and adopt an exchange rate of HK\$1.087 per RMB1, thus the estimated purchase price of corn kernels, corn starch, sugar syrup and coal in FY2025 is HK\$2,154 per MT, HK\$3,078 per MT, HK\$2,655 per MT and HK\$588 per MT respectively.

To assess the reasonableness of the estimated purchase price of corn kernels of RMB2,160 per MT used in calculating the annual cap of FY2025, we have checked the monthly corn prices of the PRC from January 2024 to October 2024 (disclosed on the website of the National Bureau of Statistics) which are within the range from RMB2,104 per MT to RMB2,384 per MT. We have checked that (i) the monthly corn kernel prices of the PRC shown on the website of the Sublime China Information are within the range from RMB2,179 per MT to RMB2,437 per MT during January 2024 to October 2024; and (ii) the monthly closing corn futures prices shown on the website of Dalian Commodity Exchange are within the range from RMB2,292 per MT to RMB2,470 per MT during January 2024 to October 2024. We noted that the unit price of corn kernels adopted in the Purchase Annual Cap of FY2025 is close to the low end of the market price in 2024 and is considered reasonably estimated.

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To assess the reasonableness of the estimated purchase price of coal of RMB612 per MT used in calculating the annual cap of FY2025, we reviewed the ordinary coal price from January 2024 to October 2024 (disclosed on the website of the National Bureau of Statistics) which is around RMB669 per MT. We consider that the unit price of coal adopted in the Purchase Annual Cap of FY2025 is a reasonable estimation.

To assess the reasonableness of the estimated purchase price of corn starch and sugar syrup, we have reviewed the procurement summary of Shanghai Haocheng and noticed that Shanghai Haocheng bought around 67,693 MT and 43,417 MT of corn starch and sugar syrup from the Independent Suppliers and the Raw Material Suppliers with an average price of around RMB3,250 per MT and RMB2,992 per MT respectively, during the seven months ended 31 July 2024. We further checked a recent procurement transaction of sugar syrup in September 2024, the unit price has dropped to RMB2,759 per MT. Taking into account that the average purchase price of corn starch in 2024 and the recent purchase price of sugar syrup in September 2024, we are of the view that the estimated purchase prices of corn starch and sugar syrup of RMB3,200 per MT and RMB2,760 per MT are justifiable.

The corn kernels have been accounting for around 74% of the total Purchase Annual Caps and are the core raw material for producing corn starch and sugar syrup. Therefore, corn kernel is a key component in the Purchased Annual Caps. According to the data from National Bureau of Statistic, the price of corn kernels has been fluctuating around 13% within the range from around RMB2,105 per MT to around RMB2,384 per MT during January 2024 to October 2024. Having considered the historical price fluctuation of corn kernels of around 13%, we are of the view that a growth rate of 3% adopted, as a prudent estimation, to derive the unit purchase prices of FY2026 and FY2027 is justifiable.

Based on the above analysis, we consider that the bases for setting the Purchase Annual Caps are fair and reasonable.

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10. Sales Annual Caps

The following table sets out the proposed annual caps of the 2024 Master Sales Agreement:

Products	FY2025			FY2026			FY2027		
	Estimated Quantity (MT)	Estimated Price (HK\$)	Estimated Amount (HK\$ million)	Estimated Quantity (MT)	Estimated Price (HK\$)	Estimated Amount (HK\$ million)	Estimated Quantity (MT)	Estimated Price (HK\$)	Estimated Amount (HK\$ million)
Corn starch	302,000	2,838 ^{Note}	856	281,000	3,071 ^{Note}	862	210,000	3,327 ^{Note}	700
Other corn refined products	124,000	712 to 8,109	284	115,000	773 to 8,768	286	87,000	837 to 9,480	232
Sales Annual Caps (tax exclusive)			1,140			1,148			932

Note: The estimated selling prices of corn starch under the Sales Annual Caps are lower than the purchase prices of corn starch under the Purchase Annual Caps in FY2025 and FY2026, reflecting regional market differences, in which Shanghai typically faces higher production and transportation costs than that in Jinzhou, Liaoning Province. Due to a higher growth rate adopted in the selling price for the Sales Annual Caps than that of purchase price for the Purchase Annual Caps, the estimated selling price of corn starch under the Sales Annual Caps is higher than the purchase price of corn starch under the Purchase Annual Caps in FY2027.

Estimated sales volume from the Product Purchasers

The Sales Annual Caps represent the estimated sales of corn starch and other corn refined products to be sold by Jinzhou Yuancheng to the Product Purchasers. The suspension of production in Jinzhou Yuancheng resulted in nil sales of products by Jinzhou Yuancheng during the two years ended 31 December 2022 and 2023 and the first seven months of 2024. We have reviewed the production capacity and the sales plan of Jinzhou Yuancheng to evaluate the reasonableness of the estimated sales volume in the Sales Annual Caps. Since the maximum annual corn kernels processing capacity of Jinzhou Yuancheng is 1,000,000 MT, it is expected that the final product will be less than the input due to production losses which are subject to the moisture level of the corn kernel. As it will take time for Jinzhou Yuancheng to recover its production level to its full potential, Jinzhou Yuancheng estimates to utilise approximately 86% of its processing capacity in FY2025 and will reach full processing capacity in FY2026 and FY2027. As such, total product volume of approximately 851,838 MT, 990,509 MT and 990,509 MT are expected to be produced in the three years ending 31 December 2027, respectively, among which 70% of them are corn starch and the remaining 30% are other corn refined products.

The Company expected that 50% of the finished goods to be produced in FY2025 will be sold to the Product Purchasers because the Company is planning to leverage on the sales network of the Product Purchasers to rebuild the brand reputation and customer's confidence. Moreover, the Product Purchasers are willing to make advance payment to the Group which could improve the Group's liquidity and cash flow position. Once Jinzhou Yuancheng could establish its own sales network and obtain higher volume of sales orders from the Independent Purchasers, Jinzhou Yuancheng will reduce its sales to the Product Purchasers to 40% in FY2026 and 30% in FY2027 of the total sales

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volume. Having considered that Jinzhou Yuancheng is in its initial stage of resumption in FY2025 after business suspension for almost three years, it is beneficial for the Group to have more sales cooperation with the Product Purchasers in FY2025 and gradually shift the sales network to the Independent Purchasers. We are of the view that the estimated volume of products to be sold to the Product Purchasers are not excessive.

Estimated selling price of each product

The management of the Company adopted a tax inclusive selling price of approximate RMB2,950 per MT for corn starch in FY2025 to derive the Sales Annual Cap. As shown in the above table, the estimated selling prices of corn starch are exclusive of value added tax and adopt an exchange rate of HK\$1.087 per RMB1, thus the estimated selling price of corn starch in FY2025 is HK\$2,838 per MT.

To assess the reasonableness of the estimated selling price of corn starch, we checked the average price of corn starch procured by Shanghai Haocheng from the Independent Suppliers in the first seven months of 2024 and the monthly procurement cost (tax inclusive) was in the range between RMB3,177 per MT and RMB3,314 per MT. With reference to (i) the highest procurement cost paid by Shanghai Haocheng in recent months and (ii) the selling price of corn starch in Jinzhou is usually lower than that in Shanghai due to regional market difference where Shanghai typically faces higher production and transportation costs than that in Jinzhou, we consider that the selling price of corn starch of RMB2,950 per MT is reasonably estimated.

To assess the reasonableness of the estimated selling prices of other corn refined products in FY2025, we have checked the average prices of other corn refined products in September and October 2024 disclosed on the website of the Sublime China Information which are close to the estimated selling prices of other corn refined products. With reference to these prevailing market prices, we consider that the selling prices of other corn refined products are reasonably estimated.

The selling prices of corn starch and other corn refined products are estimated to increase by around 8% per annum in FY2026 and FY2027. Since the corn starch and other corn refined products are produced from corn kernels, the selling prices of the Group's products are directly affected by the prices of raw materials (in particular the corn kernels). The price of corn kernels fluctuated around 13% within the range from around RMB2,105 per MT to around RMB2,384 per MT in the first ten months of 2024 according to the data from the National Bureau of Statistics. Apart from that, in 2023, the urban annual average salary in the private manufacturing industry was RMB71,762, representing an increment of around 6.5% from 2022. In order to transfer the forecasted higher production cost to the customers, we consider that a growth rate of 8% adopted in the selling prices of corn starch and other corn refined products in FY2026 and FY2027 are justifiable.

Based on the above analysis, we consider that the bases for setting the Sales Annual Caps are fair and reasonable.

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11. Internal control procedures on potential reliance on Raw Material Suppliers

As disclosed in the Letter from the Board, the Company has established internal control measures to avoid undue reliance on the Raw Material Suppliers:

- (1) maximum monthly purchase amount from the Raw Material Suppliers will be set by the management by taking into account the production requirement and to avoid any issue of reliance on the supply of coal, corn kernels, corn starch and sugar syrup from the Raw Material Suppliers. Such maximum monthly purchase amount is determined by dividing the relevant annual cap by twelve months, with adjustments based on (a) the monthly production plan of the Group's production facilities which determines the actual demand of coal, corn kernels, corn starch and sugar syrup; (b) the availability of coal, corn kernels, corn starch and sugar syrup in the open market; and (c) any other events that may cause delay of delivery of coal, corn kernels, corn starch and sugar syrup;
- (2) the procurement department of the Group will monitor the transactions between the Group and the Raw Material Suppliers on a monthly basis for the purchase price and total purchase amount and the accounting department of the Group will report to the management on timely basis;
- (3) the accounting department of the Group will prepare a monthly report for review by the independent non-executive Directors; and
- (4) the internal control department of the Group will perform review annually and will report its findings to the management and the independent non-executive Directors.

Practically, the management of the Company and the independent non-executive Directors review the monthly purchase report which include the latest amount and nature of purchase from the Independent Suppliers and the Raw Material Suppliers. Based on the information of actual transactions, the management of the Company and the independent non-executive Directors could be alerted whether the actual transaction amount is very close to the respective Purchase Annual Caps and will instruct the subsidiaries of the Group to shift their purchases to the Independent Suppliers. We consider that the monthly review procedure provides up-to-date data for the management of the Company to adjust their purchase plan and avoid undue reliance on the Raw Material Suppliers.

We understand that Jilin is one of the largest corn-producing regions in the PRC with many farmer cooperatives and corn plantation enterprises from which the Group can purchase corn kernels directly. Moreover, Liaoning Province, Jilin Province and Heilongjiang Province own an abundant coal reserve and the Group used to purchase coals from the independent coal suppliers before the production in Jinzhou production site was completely suspended in the mid of 2020. As such, we consider that the Group could readily purchase corn kernels and coal from the Independent Suppliers in the region near the Jinzhou production site.

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Having considered the internal control procedures to monitor the level of transactions with the Raw Material Suppliers and there are plenty of alternative suppliers, we do not consider that there will be undue reliance on the Raw Material Suppliers which may bring possible negative impact to the Group; and the internal control measures are fairly structured with different levels of hierarchy to avoid the Group placing material reliance on the Raw Material Suppliers.

12. Internal control procedures on potential reliance on the Product Purchasers

As disclosed in the Letter from the Board, the Company has established internal control measures to avoid undue reliance on the Product Purchasers:

- (1) the accounting department of the Group will monitor the sales transactions and prepare reports of sales transactions on monthly basis to ensure the sales transactions are on normal commercial terms. Such reports should contain details of the transactions between the Group and the Product Purchasers, the pricing information and the respective quantities of corn starch and other corn refined products sold to ensure that the sales transactions do not exceed the Sales Annual Caps.
- (2) the monthly sales reports will be reviewed by the independent non-executive Directors on a monthly basis.

From a practical point of view, the management of the Company and the independent non-executive Directors review the monthly sales report and they will be alerted whether the actual sales amount is very close to the respective Sales Annual Caps. We consider that the monthly review procedure provides up-to-date data for the management of the Company to adjust their sales plan and avoid undue reliance on the Product Purchasers.

We understand that corn starch and other corn refined products are widely used in the downstream corn refinery and biochemical industry. In Jilin and Heilongjiang provinces, there are numerous downstream corn refinery and biochemical plants which create a sizable market for the Group's corn starch and corn refined products. As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Group has over 100 Independent Purchasers for the Group's upstream products in respect of its Jinzhou production site prior to its suspension of operation. In order to rebuild the sales network and customer base, Jinzhou Yuancheng is reconnecting with its old customers and is finding new customers in the region near the Jinzhou production site.

Having considered the internal control procedures to monitor the level of transactions with the Product Purchasers, the effort of Jinzhou Yuancheng to establish its sales network and plenty of alternative customers near the Jinzhou production site, we are of the view that there will not be undue reliance on the Product Purchasers which may bring possible negative impact to the Group; and the internal control measures are fairly structured to avoid the Group placing material reliance on the Product Purchasers.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the 2024 Master Purchase Agreement and 2024 Master Sales Agreement are carried out in the ordinary and usual course of business of the Group; (ii) the terms of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement are on normal commercial terms, and are fair and reasonable; (iii) the 2024 Master Purchase Agreement and 2024 Master Sales Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the basis of determining the annual caps in respect of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement is fair and reasonable.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to approve the continuing connected transactions as contemplated under each of the 2024 Master Purchase Agreement and the 2024 Master Sales Agreement and the related annual caps (i.e. the Purchase Annual Caps and the Sales Annual Caps).

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
Director

Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

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

As at the Latest Practicable Date, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules, were as follows:

Name of Director	Capacity/Nature of interest	Number and class of securities of the Company held (a)	Percentage of the relevant class of issued share capital of the Company (b)
Mr. Wang	Beneficial owner	720,514,123 Shares (L)(c)	38.1
	Interest of a controlled corporation	16,444,000 Shares (L)(d)	0.87
Mr. Kong	Beneficial owner	677,250,123 Shares (L)(e)	35.8

Remarks:

- (a) The letter “L” represents the Director’s interests in the Shares and underlying Shares of the Company or its associated corporation.
- (b) Calculated on the basis of 1,890,374,856 Shares in issue as at the Latest Practicable Date.

- (c) Amongst 720,514,123 Shares in which Mr. Wang was interested in as of the Latest Practicable Date, 317,595,908 Shares represented Shares which may be issued to him upon full conversion of the Convertible Bonds with principal amount of RMB29.0 million he held, adopting an illustrative exchange rate of HK\$1.0 to RMB0.91311 as announced by the People's Bank of China on the date of issuance of the relevant Convertible Bonds to Mr. Wang. The remaining 402,918,215 Shares were beneficially owned by Mr. Wang, representing approximately 21.31% of the issued share capital of the Company.
- (d) These Shares were registered in the name of Rich Mark Profits Limited, which is ultimately wholly-owned by Mr. Wang.
- (e) Amongst 677,250,123 Shares in which Mr. Kong was interested in as of the Latest Practicable Date, 317,595,908 Shares represented Shares which may be issued to him upon full conversion of the Convertible Bonds with principal amount of RMB29.0 million he held, adopting an illustrative exchange rate of HK\$1.0 to RMB0.91311 as announced by the People's Bank of China on the date of issuance of the relevant Convertible Bonds to Mr. Kong. The remaining 359,654,215 Shares were beneficially owned by Mr. Kong, representing approximately 19.03% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Li, an executive Director, was a director of Hong Kong Huasheng, a substantial Shareholder interested in 680,384,764 Shares amongst which 317,595,908 Shares represented Shares which may be issued to Hong Kong Huasheng upon full conversion of the Convertible Bonds with principal amount of RMB29.0 million it held, adopting an illustrative exchange rate of HK\$1.0 to RMB0.91311 as announced by the People's Bank of China on the date of issuance of the relevant Convertible Bonds to it, and 362,788,856 Shares being Shares beneficially held by Hong Kong Huasheng, representing approximately 19.19% of the issued share capital of the Company. Save as disclosed, 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 provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2023, 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 Mr. Wang and Mr. Kong's interests in the Existing Master Purchase Agreements, 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. For further details of the Existing Master Purchase Agreements, please refer to the Rule 14A.60(1) Announcement.

4. SERVICE AGREEMENTS

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Group subsequent to 31 December 2023, 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.

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. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Octal Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the IFA 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 and reference to its name and logo in the form and context in which they respectively appears.

As at the Latest Practicable Date, Octal Capital was not beneficially interested in any share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or have any direct

or indirect interest in any assets which since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or lease, or was proposed to be acquired or disposed of by, or leased to any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the DDT Master Purchase Agreement;
- (b) the Ruihao Master Purchase Agreement;
- (c) the 2024 Master Purchase Agreement; and
- (d) the 2024 Master Sales Agreement.

9. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text.

NOTICE OF EGM



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the physical extraordinary general meeting (the “EGM”) of Global Sweeteners Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at 35/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong at 10:30 a.m. on Friday, 20 December 2024 to consider, if though fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** the 2024 master purchase agreement (the “**2024 Master Purchase Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) dated 17 October 2024 entered into between the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser, 銳豪科創商貿(廣州)有限公司 (Ruihao Property (Guangzhou) Co., Ltd.*) (“**Ruihao (Guangzhou)**”) (for itself and on behalf of itself and its subsidiaries from time to time (“**Ruihao (Guangzhou) Group**”) and the associated companies of Ruihao (Guangzhou) Group from time to time), 點點通供應鏈科技(深圳)有限公司 (DDT Supply Chain Technology (Shenzhen) Co., Ltd.*) (“**DDT Supply Chain**”) (for itself and on behalf of itself and its subsidiaries from time to time (“**DDT Supply Chain Group**”) and the associated companies of DDT Supply Chain Group from time to time), and 吉林省華生商貿有限公司 (Jilin Huasheng Trading Limited*) (“**Jilin Huasheng Trading**”) (for itself and on behalf of itself and its subsidiaries from time to time (“**Jilin Huasheng Trading Group**”) and the associated companies of Jilin Huasheng Trading Group from time to time), as suppliers in relation to the purchase of coal, corn kernels, corn starch and sugar syrup by the Group from Ruihao (Guangzhou) Group, DDT Supply Chain Group, Jilin Huasheng Trading Group, and their respective associated companies for the term commencing from 1 January 2025 and ending on 31 December 2027, the transactions contemplated thereunder and its expected annual caps of HK\$1,508,000,000, HK\$1,473,000,000 and HK\$1,226,000,000 for each of the three years ending 31 December 2027, respectively, be and hereby approved and that any directors of the Company (the “**Directors**”) be and is hereby authorised to take any action and sign any document (under seal, if necessary) as he/she considers necessary, desirable or expedient in connection with the 2024 Master Purchase Agreement or the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of

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such Director, in the interests of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the 2024 Master Purchase Agreement.”

2. “**THAT** the 2024 master sales agreement (the “**2024 Master Sales Agreement**”) (a copy of which has been produced to the EGM marked “**B**” and signed by the chairman of the EGM for the purpose of identification) dated 17 October 2024 entered into between the Company (for itself and on behalf of its subsidiaries from time to time), as supplier, Ruihao (Guangzhou) (for itself and on behalf of Ruihao (Guangzhou) Group and its associated companies from time to time), DDT Supply Chain (for itself and on behalf of DDT Supply Chain Group and its associated companies from time to time), and Jilin Huasheng Trading (for itself and on behalf of Jilin Huasheng Trading Group and its associated companies from time to time), as purchasers in relation to the purchase of corn starch and other corn refined products including but not limited to gluten meal, corn steep liquor, fibre-based feeds, corn oil and corn germ meals by Ruihao (Guangzhou) Group, DDT Supply Chain Group, Jilin Huasheng Trading Group, and their respective associated companies from the Group for the term commencing from 1 January 2025 and ending on 31 December 2027, the transactions contemplated thereunder and its expected annual caps of HK\$1,140,000,000, HK\$1,148,000,000 and HK\$932,000,000 for each of the three years ending 31 December 2027, respectively, be and hereby approved and that any Directors be and is hereby authorised to take any action and sign any document (under seal, if necessary) as he/she considers necessary, desirable or expedient in connection with the 2024 Master Sales Agreement or the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interests of the Company provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the 2024 Master Sales Agreement.”

By order of the board of Directors
Global Sweeteners Holdings Limited
Wang Tieguang
Joint Chairman

Hong Kong, 2 December 2024

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

*Head office and principal place
of business in Hong Kong:*
Unit 1206, 12th Floor
The Metropolis Tower
10 Metropolis Drive
Hung Hom, Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM 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/her stead. A proxy need not be a member of the Company.

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2. In the case of joint holders of shares of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share of the Company 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 Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time of the EGM (i.e. at or before 10:30 a.m. on Wednesday, 18 December 2024 (Hong Kong time)) or any adjournment or postponement thereof.
4. Delivery of an instrument appointing a proxy should not preclude a shareholder of the Company (“**Shareholder(s)**”) from attending and voting in person at the above EGM 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 from Tuesday, 17 December 2024 to Friday, 20 December 2024, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the attendance at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch registrars in Hong Kong at the address stated in note 3 above no later than 4:30 p.m. on Monday, 16 December 2024 for registration.
6. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the EGM, the EGM 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 of Hong Kong Limited and the Company to notify shareholders of the Company (the “**Shareholders**”) of the date, time and place of the rescheduled meeting. The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situation.

As at the date of this notice, the board of Directors comprises three executive Directors, namely, Mr. Wang Tieguang, Mr. Kong Zhanpeng and Mr. Li Fangcheng; one non-executive Director, namely, Mr. Tai Shubin; and three independent non-executive Directors, namely, Ms. Liu Ying, Ms. Li Guichen and Mr. Lo Kwing Yu.