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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)

CONTINUING CONNECTED TRANSACTIONS:

- (1) NEW MASTER AGREEMENTS
FOR CONTINUING CONNECTED TRANSACTIONS**
- (2) SUPPLY OF UPSTREAM PRODUCTS TO THE GBT GROUP**

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



Octal Capital Limited

A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Octal Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 56 of this circular.

A notice convening the EGM to be held at Room 1, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 14 November 2012 is set out on pages 65 to 67 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“Board”	the board of Directors
“CCT Executive Committee”	the independent management team comprising two disinterested Directors, namely Mr. Zhang Fazheng and Mr. Lee Chi Yung, established by the Board and responsible for monitoring, review and management of the continuing connected transactions between the Group and the GBT Group
“Changchun Baocheng”	長春寶成生化發展有限公司 (Changchun Baocheng Bio-chem Development Co., Ltd.), a member of the GBT Group
“Changchun Dihao”	長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.), a wholly owned subsidiary of the Company
“Changchun Group”	the Company and its subsidiaries which have or will have their production facilities established in Changchun, the PRC and which, as the case may be, (i) in respect of the New Utilities Master Supply Agreement, require the supply and provision of the utilities and wastewater treatment services from Changchun Baocheng; and/or (ii) in respect of the New Corn Starch Master Purchase Agreement, require the supply of corn starch in slurry form from members of the GBT Group; and/or (iii) in respect of the Upstream Products Master Sales Agreement, provide the supply of corn starch and corn steep liquor to the GBT Changchun Group
“Changchun Jincheng”	長春金成玉米開發有限公司 (Changchun Jincheng Corn Development Co., Ltd.), a sino-foreign joint venture enterprise established in the PRC and a wholly owned subsidiary of the Company

DEFINITIONS

“Company”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 14 November 2012, the notice of which is set out on pages 65 to 67 of this circular, and any adjournment thereof
“Existing Corn Starch Master Purchase Agreement”	the agreement dated 16 April 2009 entered into between the GBT Group as supplier and the Group as purchaser relating to the purchase of corn starch by the Group from the GBT Group for the term commencing from 1 January 2010 to 31 December 2012 (both days inclusive)
“Existing Corn Sweeteners Master Sales Agreement”	the agreement dated 16 April 2009 entered into between the Group as supplier and the GBT Group as purchaser relating to the supply of glucose, maltose, crystallised glucose and other corn sweeteners products by the Group to the GBT Group for the term commencing from 1 January 2010 to 31 December 2012 (both days inclusive)
“Existing Master Agreements”	collectively, the Existing Corn Sweeteners Master Sales Agreement, the Existing Corn Starch Master Purchase Agreement and the Existing Utilities Master Supply Agreement

DEFINITIONS

“Existing Utilities Master Supply Agreement”	the agreement dated 16 April 2009 entered into between the GBT Group and the Group relating to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group for an initial term commencing from 1 January 2010 to 31 December 2012 (both days inclusive)
“GBT”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange and the controlling shareholder of the Company
“GBT Changchun Group”	members of the GBT Group which have or will have their production facilities established in Changchun, the PRC and which require the supply of corn starch in slurry form from members of the Group under the Upstream Products Master Sales Agreement
“GBT Group”	GBT and its subsidiaries which, for the purpose of this circular, excludes the Group
“Global Corn Bio-chem”	Global Corn Bio-chem Technology Company Limited, a wholly owned subsidiary of GBT
“Group”	the Company and its subsidiaries
“GCIL”	Global Corn Investments (HK) Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of GBT
“Independent Board Committee”	a board of committee, comprising Mr. Chan Yuk Tong, Mr. Gao Yunchun and Mr. Ho Lic Ki, being all independent non-executive Directors, established to advise the independent Shareholders in respect of the continuing connected transactions contemplated under the New Master Agreements, the Upstream Products Master Sales Agreement and the related annual caps

DEFINITIONS

“Independent Shareholders”	Shareholders other than GBT and its associates
“Independent Third Party(ies)”	third party or parties and who and whose ultimate beneficial owner(s) are independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Jincheng Completion”	completion of the Jincheng S&P Agreement
“Jincheng S&P Agreement”	the agreement entered into between GCIL and the Company dated 2 September 2011 in relation to the acquisition of the group of companies comprising of, among others, Changchun Jincheng
“Latest Practicable Date”	12 October 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MT”	metric tonne
“New Corn Starch Master Purchase Agreement”	the agreement dated 30 August 2012 entered into between the GBT Group as supplier and the Group as purchaser relating to the purchase of corn starch by the Group from the GBT Group for the term commencing from 1 January 2013 to 31 December 2015 (both days inclusive)
“New Corn Sweeteners Master Sales Agreement”	the agreement dated 30 August 2012 entered into between the Group as supplier and the GBT Group as purchaser relating to the supply of corn sweeteners by the Group to the GBT Group for the term commencing from 1 January 2013 to 31 December 2015 (both days inclusive)
“New Master Agreements”	collectively, the New Corn Sweeteners Master Sales Agreement, the New Corn Starch Master Purchase Agreement and the New Utilities Master Supply Agreement

DEFINITIONS

“New Utilities Master Supply Agreement”	the agreement dated 30 August 2012 entered into between the GBT Group as supplier and the Group as customer relating to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group for the term commencing from 1 January 2013 to 31 December 2015 (both days inclusive)
“Octal Capital”	Octal Capital Limited, the independent financial adviser appointed by the Board and approved by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Master Agreements, the Upstream Products Master Sales Agreement and the related annual caps
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Upstream Products Master Sales Agreement”	the agreement dated 30 August 2012 entered into between the Group as supplier and the GBT Group as purchaser relating to the supply of corn starch and corn steep liquor by the Group to the GBT Group for the term commencing from 30 August 2012 to 31 December 2014 (both days inclusive)
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“%”	per cent.



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

Executive Directors:

Mr. Kong Zhanpeng
Mr. Zhang Fazheng
Mr. Lee Chi Yung

Independent non-executive Directors:

Mr. Chan Yuk Tong
Mr. Gao Yunchun
Mr. Ho Lic Ki

Registered office:

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Hutchins Drive
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*Head Office and Principal Place of Business
in Hong Kong:*

Unit 2403
Admiralty Centre
Tower II
18 Harcourt Road
Hong Kong

15 October 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS:

- (1) NEW MASTER AGREEMENTS
FOR CONTINUING CONNECTED TRANSACTIONS
(2) SUPPLY OF UPSTREAM PRODUCTS TO THE GBT GROUP**

1. INTRODUCTION

In the announcement of the Company dated 30 August 2012, the Company announced that the Group entered into the New Master Agreements and the Upstream Products Master Sales Agreement which constitute continuing connected transactions of the Company.

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM to approve the New Master Agreements and the Upstream Products Master Sales Agreement for continuing connected transactions and the related annual caps.

* *for identification purposes only*

LETTER FROM THE BOARD

2. NEW MASTER AGREEMENTS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 20 April 2009 in relation to the Existing Master Agreements.

Pursuant to the Existing Master Agreements, the Group has been supplying corn sweeteners to the GBT Group and the GBT Group has been supplying corn starch and utilities services to the Group. The Existing Master Agreements will expire on 31 December 2012.

As it is expected that the Group will continue to supply corn sweeteners to the GBT Group after the expiry of the Existing Corn Sweeteners Master Sales Agreement on 31 December 2012, and members of the Group which have or will have their production facilities established in Changchun, the PRC will continue to require the provision and supply of electricity, water, steam and wastewater treatment services and the supply of corn starch by the GBT Group after the expiry of the Existing Utilities Master Supply Agreement and the Existing Corn Starch Master Purchase Agreement on 31 December 2012, the Group has entered into the New Master Agreements with the GBT Group with effect from 1 January 2013, details of which are set out below.

(a) New Corn Sweeteners Master Sales Agreement

Principal terms of the New Corn Sweeteners Master Sales Agreement

On 30 August 2012, Changchun Dihao (for itself and as trustee for the benefit of other members of the Group) and Global Corn Bio-chem (for itself and as trustee for the benefit of other members of the GBT Group) entered into the New Corn Sweeteners Master Sales Agreement for the supply of corn sweeteners by the Group to the GBT Group.

Pursuant to the New Corn Sweeteners Master Sales Agreement, the GBT Group will purchase corn sweeteners from the Group solely for its own production use at prices to be determined from time to time by the relevant member of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to Independent Third Parties. The payment terms for the products will be set out in the purchase order for each

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order to be placed under the New Corn Sweeteners Master Sales Agreement, provided that the purchase price shall be payable by the relevant member of the GBT Group within 60 days after the date of the relevant invoice issued by the Group. The New Corn Sweeteners Master Sales Agreement is for a term of three years commencing from 1 January 2013 and expiring on 31 December 2015 unless terminated earlier by three months' written notice by either party.

Proposed annual caps

The historical annual caps for the supply of corn sweeteners by the Group under the Existing Corn Sweeteners Master Sales Agreement for each of the three years ending 31 December 2012, were HK\$994.3 million, HK\$1,131.0 million and HK\$1,287.3 million, respectively.

Based on the audited consolidated financial statements of the Group for each of the two years ended 31 December 2011 and the unaudited consolidated financial statements of the Group for the seven months ended 31 July 2012, the sales of corn sweeteners by the Group to the GBT Group for the two years ended 31 December 2011 and the seven months ended 31 July 2012 amounted to approximately HK\$634.8 million, HK\$730.1 million and HK\$394.9 million, respectively.

The Directors expect that the aggregate selling prices receivable by the Group from the GBT Group for the supply of corn sweeteners by the Group to the GBT Group under the New Corn Sweeteners Master Sales Agreement for each of the three years ending 31 December 2015 will not exceed the annual caps of HK\$1,275.7 million, HK\$1,580.3 million and HK\$1,738.3 million, respectively.

The above proposed annual caps were determined by the Directors by reference to the historical aggregate selling prices receivable for the sale of corn sweeteners products by the Group to the GBT Group for the seven months ended 31 July 2012, the estimated demand of the Group's corn sweeteners by the GBT Group for the three years ending 31 December 2015 based on (1) the historical quantities purchased by the GBT Group which amounted to approximately 260,000MT for the year ended 31 December 2011; (2) the total estimated quantities to be purchased by the GBT Group with the resumption of the polyol production facilities of the GBT Group in the fourth quarter of 2012 is expected to amount to 400,000MT, 440,000MT and 440,000MT for the three years ending 31 December 2015, respectively; and (3) the expected increase in the market prices of corn sweeteners in the coming years which took into account (i) the estimated inflation rate in the PRC at 5% per annum and (ii) the estimated appreciation of Renminbi of 5% per annum, which were based on the actual historical figures in the past three years.

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Reasons for the continuing connected transactions

The GBT Group had been sourcing corn sweeteners from the Group and third party suppliers as one of the principal production materials for production of its amino acids and polyol products. Leveraged from the Group's efficient cost control, the Group has been able to offer its corn sweeteners products to its Independent Third Party customers in Changchun at more competitive prices than that offered to the GBT Group by third party suppliers in Changchun for corn sweeteners products sourced thereby. As such, it is beneficial to both the Group and the GBT Group for the GBT Group to source corn sweeteners from the Group, with assurance as to quality and at more competitive prices. With the expected increase in demand of the Group's crystallised glucose products by the GBT Group due to the expansion of its polyol and lysine business, the sale of corn sweeteners by the Group to the GBT Group under the New Corn Sweeteners Master Sales Agreement will also provide a secured source of revenue for the Group.

The terms and conditions of the New Corn Sweeteners Master Sales Agreement were negotiated between the parties to it on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the New Corn Sweeteners Master Sales Agreement are on normal commercial terms that are fair and reasonable and the continuing connected transactions under the New Corn Sweeteners Master Sales Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the continuing connected transactions under the New Corn Sweeteners Master Sales Agreement for each of the three years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) New Utilities Master Supply Agreement

Principal terms of the New Utilities Master Supply Agreement

On 30 August 2012, Changchun Dihao (for itself and as trustee for the benefit of other members of the Changchun Group) entered into the New Utilities Master Supply Agreement with Changchun Baocheng to ensure continual supply of utilities services by the GBT Group to the Changchun Group after the expiry of the term of the Existing Utilities Master Supply Agreement.

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

The New Utilities Master Supply Agreement shall have an initial term of three years commencing on 1 January 2013 and expiring on 31 December 2015, with an option by the Changchun Group, but not Changchun Baocheng, to renew the term for three years on the expiry of such term and on the expiry of every successive period of three years thereafter (subject however to the compliance by the Company and GBT of the applicable Listing Rules), unless terminated earlier by three months' written notice by the Group. Changchun Baocheng shall indemnify and hold the Changchun Group fully indemnified against any claims, damages, losses, costs and expenses arising out of or in connection with any breach of obligations in the course of providing its services under the New Utilities Master Supply Agreement, including any failure to comply with the applicable national and provincial environmental protection laws and regulations in respect of the discharge of wastewater and other waste by its wastewater treatment facilities, or any failure or disruption in providing its services to the Changchun Group other than as a result of any force majeure events such as war, calamity or any other events which are beyond the control of Changchun Baocheng.

Proposed new annual caps

The historical annual caps for the supply of utilities services by the GBT Group to the Changchun Group under the Existing Utilities Master Supply Agreement for each of the three years ending 31 December 2012, were HK\$124.3 million, HK\$268.0 million and HK\$324.0 million, respectively.

Based on the audited consolidated financial statements of the Group for each of the two years ended 31 December 2011 and the unaudited consolidated financial statements of the Group for the seven months ended 31 July 2012, the aggregate amount of fees payable by the Changchun Group to the GBT Group in respect of the provision of utilities services by the GBT Group for the two years ended 31 December 2011 and the seven months ended 31 July 2012 amounted to approximately HK\$87.7 million, HK\$112.2 million and HK\$118.2 million, respectively.

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The Directors expect that the aggregate fees payable by the Changchun Group to Changchun Baocheng for the supply of utilities services by Changchun Baocheng to the Changchun Group for each of the three years ending 31 December 2015 will not exceed HK\$255.0 million, HK\$280.7 million and HK\$309.2 million, respectively.

The above proposed annual caps were determined by the Directors by reference to the historical aggregate fees payable by the Changchun Group to the GBT Group for provision of utilities services based on the historical actual unit cost of utilities for the seven months ended 31 July 2012, the expected increase in the cost of providing the utilities services by the GBT Group in the coming years due to the completion of the acquisition of Changchun Jincheng, a corn refinery with a corn processing capacity of 600,000MT per annum, from the GBT Group in November 2011, the impact on the inflation rate which took into account (1) the estimated inflation rate in the PRC at 5% per annum and (2) the estimated appreciation of Renminbi of 5% per annum, which were based on the actual historical figures in the past three years and the expected increase in the requirements and demand for supply of electricity, water and steam and the provision of wastewater treatment services from Changchun Baocheng by the Changchun Group as a result of the expected increase in the production of corn sweeteners products during the three years ending 31 December 2015 based on the expectation that the polyol production facilities of the GBT Group will resume production in the fourth quarter of 2012 which is expected to consume additional quantities of the Group's sweetener products of 140,000MT, 180,000MT and 180,000MT for the three years ending 31 December 2015, respectively.

Reasons for the continuing connected transactions

The GBT Group has been providing utilities services including electricity, water, steam and wastewater treatment services to the Changchun Group on a recurring basis. The Directors consider that it is for the commercial benefit of the Changchun Group to source utilities services from Changchun Baocheng to achieve economies of scale. The Directors also consider that it is for the commercial benefit of the Changchun Group to source such utilities services from Changchun Baocheng instead of incurring capital expenditure or additional cost for construction of its own facility or sourcing from third party suppliers, as the price is determined with reference to the actual cost incurred by Changchun Baocheng for its provision of such services, which is on normal commercial terms and on price not higher than that sourced by the Changchun

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Group from Independent Third Parties. Further, since the GBT Group has been acting as the administrator in dealing with local electricity and water suppliers for the supply of electricity and water for the Changchun Group, administrative time and costs are saved by the Changchun Group in this respect.

The terms and conditions of the New Utilities Master Supply Agreement were negotiated between the parties to it on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the New Utilities Master Supply Agreement are on normal commercial terms that are fair and reasonable and the continuing connected transactions under the New Utilities Master Supply Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual monetary caps for the continuing connected transactions under the New Utilities Master Supply Agreement for each of the three years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) **New Corn Starch Master Purchase Agreement**

Principal terms of the New Corn Starch Master Purchase Agreement

On 30 August 2012, Changchun Dihao (for itself and as trustee for the benefit of other members of the Changchun Group) entered into the New Corn Starch Master Purchase Agreement with Changchun Baocheng (for itself and as trustee for the benefit of other members of the GBT Group which have or will have their production facilities for the production of corn starch in slurry form in Changchun, the PRC) to ensure continual supply of corn starch by the GBT Group to the Changchun Group after the expiry of the term of the Existing Corn Starch Master Purchase Agreement. Pursuant to the New Corn Starch Master Purchase Agreement, the Changchun Group will purchase corn starch in the form of starch slurry from the relevant member of the GBT Group at prices to be from time to time determined by the relevant members of the GBT Group and the Changchun Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the dehumidifying, packaging, transportation, storage and other related costs which should be borne by the Changchun Group but for the delivery arrangement explained below, and on such other standard terms of sale and purchase from time to time.

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Pursuant to the New Corn Starch Master Purchase Agreement, the GBT Group will procure the delivery of corn starch to the Group's Changchun production plants by way of starch pipeline. There are meters between the Changchun Group's and the relevant GBT Group member's production plants in Changchun measuring the amount of corn starch consumed. The payment terms for the products will be set out in the purchase order for each order to be placed under the New Corn Starch Master Purchase Agreement, provided that the purchase price shall be payable by the relevant member of the Changchun Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. The New Corn Starch Master Purchase Agreement is for a term of three years commencing from 1 January 2013 and expiring on 31 December 2015 unless terminated earlier by three months' written notice by either party.

Proposed new annual caps

The historical annual caps for the purchase of corn starch from the GBT Group under the Existing Corn Starch Master Purchase Agreement for each of the three years ending 31 December 2012 were HK\$797.9 million, HK\$877.6 million and HK\$965.5 million, respectively.

Based on the audited consolidated financial statements of the Group for each of the two years ended 31 December 2011 and the unaudited consolidated financial statements of the Group for the seven months ended 31 July 2012, the aggregate amount of fees payable by the Changchun Group to the GBT Group in respect of the purchase of corn starch from the GBT Group for the two years ended 31 December 2011 and the seven months ended 31 July 2012 amounted to approximately HK\$794.8 million, HK\$865.8 million and HK\$133.4 million, respectively. It is noted that the historical amount for the seven months ended 31 July 2012 was substantially lower than the annual cap for the year ending 31 December 2012, such difference was due to the completion of the acquisition of Changchun Jincheng in November 2011. As a result of the acquisition, the Group could supply most of the corn starch for its downstream production internally. However, due to production workflow and the existing pipelines network between the production facilities of the Group and the GBT Group, whereby the pipeline connected between the production facilities of the GBT Group and Changchun Dihao is 50 metres or 17% shorter than that between the production facilities of Changchun Jincheng and Changchun Dihao, the supply of corn starch by the GBT Group through

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pipeline network will achieve total cost saving of 0.17% as the steam and electricity used to supply the corn starch in slurry form contributed to around 1% of the total production cost. In addition, having an additional supply of corn starch in slurry form as a backup for downstream production would secure raw material supply of both the Group and the GBT Group and avoid possible bottleneck in case of accidental suspension of either corn refineries. Therefore it would be more cost-saving and in the best interests of the Group to continue purchase certain amount of corn starch from the GBT Group in order to optimize the efficiency of the facilities of the Group in Changchun.

The Directors expect that the Changchun Group will purchase 156,000MT, 156,000MT and 156,000MT of corn starch from the GBT Group for each of the three years ending 31 December 2015, which will constitute 17.7%, 17.7% and 17.7% of the total corn starch to be used by the Group for each of the three years ending 31 December 2015, respectively, and the aggregate purchase prices payable by the Changchun Group for the purchase of corn starch from the GBT Group by the Changchun Group for each of the three years ending 31 December 2015 will not exceed HK\$533.9 million, HK\$587.2 million and HK\$645.9 million, respectively.

The proposed annual caps for each of the three years ending 31 December 2015 are determined by the Directors by reference to the historical aggregate purchase prices payable by the Changchun Group to the GBT Group for the purchase of corn starch and the expected increase in the price of corn starch at the rate of 10% per year for the three years ending 31 December 2015 taking into consideration of an estimated inflation rate of 5% in the PRC and the appreciation of Renminbi of 5% per annum.

With respect to the pricing policy for the purchase of corn starch under the New Corn Starch Master Purchase Agreement, the CCT Executive Committee will obtain quotation from at least one Independent Third Parties supplier(s) and compare it with the terms offered by the GBT Group for supply of corn starch of comparable quantities and specifications to its Independent Third Parties customers. The total purchase price and terms shall then be determined by using the lower of (i) the average unit selling price offered by the GBT Group to its independent customers, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its independent customers; and (ii) the quotations from independent supplier(s) plus the additional cost, if any, to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s).

LETTER FROM THE BOARD

Reasons for the continuing connected transactions

The Group had been sourcing corn starch from the GBT Group as one of the principal production materials for the Group's production. The Directors consider that the purchase of corn starch from the GBT Group under the New Corn Starch Master Purchase Agreement is beneficial to the Group as the GBT Group has a proven track record of quality products and the Group can source reliable supply and consistent quality of production materials and at the same time, owing to the close proximity of the production facilities of the Group and the GBT Group in Changchun, the supply of corn starch by the GBT Group to the Group in slurry form through a pipeline arrangement could largely save the Group's processing, packaging, dehumidifying, storage, transportation and other related costs.

The terms and conditions of the New Corn Starch Master Purchase Agreement were negotiated between the parties to it on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the New Corn Starch Master Purchase Agreement are on normal commercial terms that are fair and reasonable and the continuing connected transactions under the New Corn Starch Master Purchase Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual monetary caps for the continuing connected transactions under the New Corn Starch Master Purchase Agreement for each of the three years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. SUPPLY OF UPSTREAM PRODUCTS TO THE GBT GROUP

Principal terms of the Upstream Products Master Sales Agreement

On 30 August 2012, Changchun Dihao (for itself and as trustee for the benefit of other members of the Changchun Group) and Changchun Baocheng (for itself and as trustee for the benefit of other members of the GBT Changchun Group) entered into the Upstream Products Master Sales Agreement for the supply of corn starch and corn steep liquor by the Changchun Group to the GBT Changchun Group.

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Pursuant to the Upstream Products Master Sale Agreement, the GBT Changchun Group will purchase corn starch in the form of starch slurry and corn steep liquor from the relevant member of the Changchun Group at prices to be from time to time determined by the relevant members of the GBT Changchun Group and the Changchun Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the dehumidifying, packaging, transportation, storage and other related costs which should be borne by the Changchun Group but for the delivery arrangement explained below, and on such other standard terms of sale and purchase from time to time.

Pursuant to the Upstream Products Master Sales Agreement, the Changchun Group will procure the delivery of corn starch to the GBT Changchun Group's production plants by way of starch pipeline. There are meters between the GBT Changchun Group's and the relevant Group member's production plants in Changchun measuring the amount of corn starch consumed. The payment terms for the products will be set out in the purchase order for each order to be placed under the Upstream Products Master Sales Agreement, provided that the purchase price shall be payable by the relevant member of the GBT Changchun Group within 60 days after the date of the relevant invoice issued by the relevant member of the Changchun Group. The Upstream Products Master Sales Agreement is for a term of three years commencing from 30 August 2012 and expiring on 31 December 2014 unless terminated earlier by three months' written notice by either party.

Proposed annual caps

The Directors expect that the aggregate selling prices receivable by the Group from the GBT Group for the supply of corn starch and corn steep liquor by the Changchun Group to the GBT Changchun Group under the Upstream Products Master Sales Agreement for each of the three years ending 31 December 2014 will not exceed the annual caps of HK\$127.4 million, HK\$422.8 million and HK\$463.9 million, respectively.

The proposed annual caps for each of the three years ending 31 December 2014 are determined by the Directors by reference to the terms offered by the Group to Independent Third Parties and the prevailing market rates of corn steep liquor and corn starch powder, so as to ensure that the selling prices payable by the GBT Group are set on a fair and reasonable basis and in the best interests of the Company and its shareholders and on terms no more favourable than those offered to Independent Third Parties and, in respect of corn starch to be supplied by the Group's production

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facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, given that the corn starch slurry is pumped directly through pipelines network connecting between the facilities of the Changchun Group and the GBT Changchun Group, no dehumidification, packing and transportation process would be involved and as such, adjustments has been made with reference to the dehumidifying, packaging, transportation, storage costs and other related costs such as insurance and utility cost.

With respect to the pricing policy for the sale of corn starch under the Upstream Products Master Sales Agreement, the CCT Executive Committee shall determine the price and terms based on the market price of corn starch of comparable quantities and specifications. If there is no sufficient market information, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn starch of comparable specifications and quantities. In the event that there is no sufficient market information and the Group has not sold any corn starch to independent customers during the relevant month, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered to the Group by independent suppliers for purchase of corn starch of comparable specifications and quantities. In all of the scenarios listed above, the CCT Executive Committee shall make necessary adjustments of the unit transportation, storage, insurance, dehydration and/or packaging costs saved by the Group by reason of the supply of corn starch in slurry form.

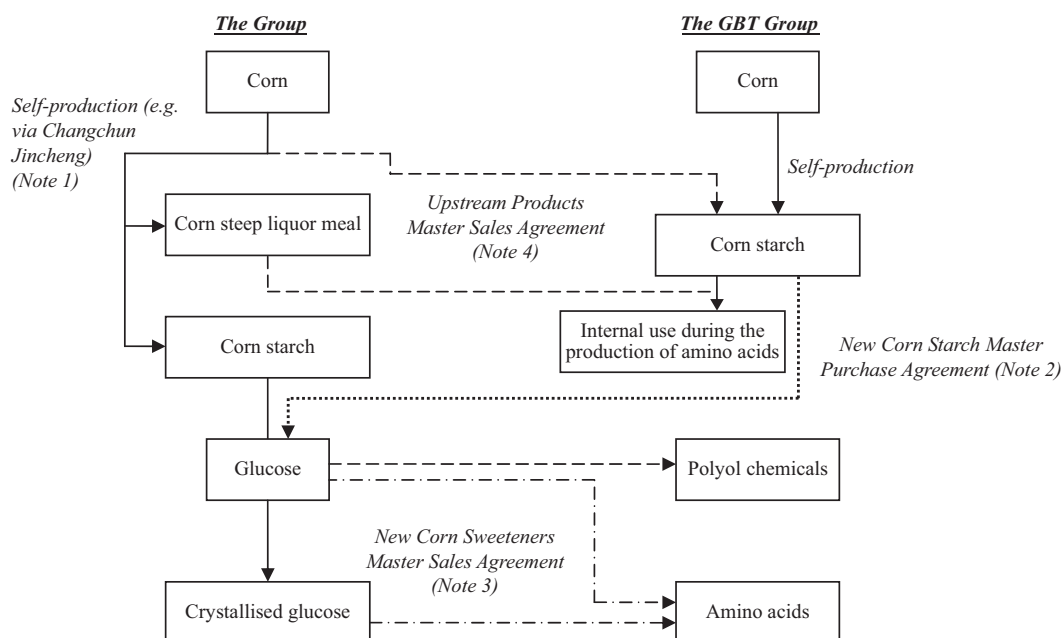
Reasons for the continuing connected transactions

Pursuant to the Jincheng S&P Agreement entered into between GCIL and the Company dated 2 September 2011, the Company has acquired the entire equity interest of Changchun Jincheng on 17 November 2011. Prior to the Jincheng Completion, Changchun Jincheng had been supplying corn starch and corn steep liquor to the GBT Changchun Group. After the Jincheng Completion, the GBT Changchun Group had been sourcing corn starch and corn steep liquor within the GBT Group. Due to the production requirement, GBT Changchun Group had experienced shortage in corn starch and corn steep liquor during the past few months after the Jincheng Completion. Given that there are no Independent Third Parties supplies in close proximity to the facilities of the GBT Changchun Group, additional transportation cost would be incurred by the GBT Changchun Group if they have to source corn starch and corn steep liquor from Independent Third Parties supplies. As the facilities of Changchun Jincheng and the GBT Changchun Group are connected with pipeline, Changchun Jincheng could supply corn starch to the GBT Changchun

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Group in slurry form through the pipeline. Steam and electricity will be used in order to transport the corn starch through the pipeline. The pipeline connected between the production facilities of Changchun Jincheng and the lysine production facilities of the GBT Group is shorter than that between Chungchun Jincheng and the production facilities of the Group, and as explained in the paragraph headed “2. New Master Agreements for continuing connected transactions – (c) New Corn Starch Master Purchase Agreement – Proposed new annual caps” above, the pipeline connected between the production facilities of the GBT Group and Changchun Dihao is shorter than that between the production facilities of Changchun Jincheng and Changchun Dihao, it is therefore more cost-saving and in the best interest of the Group to purchase certain amount of corn starch from the GBT Group under the New Corn Starch Master Purchase Agreement and to supply certain amount of corn starch to the GBT Group under the Upstream Products Master Sales Agreement, hence this would secure raw material supply of both the Group and the GBT Group and avoid possible bottleneck in case of accidental suspension of either corn refineries. It is also beneficial to both the Group and the GBT Group for the GBT Group to source corn starch in slurry form from the Group, whereby the Group could sell corn starch and corn steep liquor which are in excess for internal consumption of the Group to the GBT Group with saving in costs as the Group is not required to convert the corn starch into powder form before sale, and the sale of corn starch and corn steep liquor by the Group to the GBT Group under the Upstream Products Master Sales Agreement will also provide a secured source of revenue for the Group.

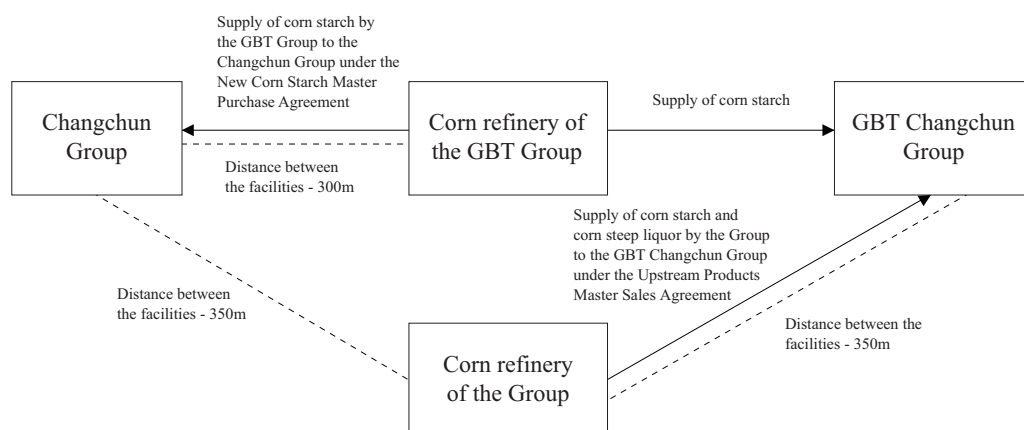
The following diagrams illustrate the arrangement under the New Corn Sweeteners Master Sales Agreement, the New Corn Starch Master Purchase Agreement and the Upstream Products Master Sales Agreement:



LETTER FROM THE BOARD

Notes:

1. Approximately 1MT of corn is required for the production of 0.7MT of corn starch.
2. Pursuant to the New Corn Starch Master Purchase Agreement, the Group will purchase corn starch in slurry form from the GBT Group. Approximately 1MT of corn starch is required for the Group's production of 1.2MT of glucose.
3. Pursuant to the New Corn Sweeteners Master Sales Agreement, the Group will sell corn sweeteners to the GBT Group. Approximately 2.22MT of glucose is required for the GBT Group's production of 1MT of polyol chemicals.
4. Pursuant to the Upstream Products Master Sales Agreement, the Group will sell corn steep liquor meal (a byproduct of corn starch) and corn starch in slurry form to the GBT Group.



The terms and conditions of the Upstream Products Master Sales Agreement were negotiated between the parties to it on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Upstream Products Master Sales Agreement are on normal commercial terms that are fair and reasonable and the continuing connected transactions under the Upstream Products Master Sales Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the continuing connected transactions under the Upstream Products Master Sales Agreement for each of the three years ending 31 December 2014 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

4. IMPLICATIONS UNDER THE LISTING RULES

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

As Global Corn Bio-chem, a wholly owned subsidiary of GBT, is a substantial Shareholder holding in aggregate approximately 64% interest in the issued share capital of the Company as at the Latest Practicable Date, and Changchun Baocheng is a wholly owned subsidiary of GBT, both Global Corn Bio-chem and Changchun Baocheng are connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under each of the New Master Agreements and the Upstream Products Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the annual consideration receivable from or, as the case may be, payable to the GBT Group under each of the New Master Agreements for each of the three years ending 31 December 2015 and under the Upstream Products Master Sales Agreement for each of the three years ending 31 December 2014 are expected to represent more than 5% of each of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10 million each, the continuing connected transactions under each of the New Master Agreements and the Upstream Products Master Sales Agreement and the annual caps therefor are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Kong Zhanpeng, an executive Director, is considered to have a material interest in the New Master Agreements and the Upstream Products Master Sales Agreement and has abstained from voting on the Board resolutions approving the New Master Agreements and the Upstream Products Master Sales Agreement. Other than Mr. Kong Zhanpeng, no Director has a material interest in the New Master Agreements and the Upstream Products Master Sales Agreement.

5. EGM

The Company will convene the EGM at Room 1, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 14 November 2012 to consider and, if thought fit, approve the New Master Agreements, the Upstream Products Master Sales Agreement and the related annual caps. A notice of the EGM is set out on pages 65 to 67 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.

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

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, GBT and its associates held an aggregate of 978,278,000 Shares, representing approximately 64% of the entire issued share capital of the Company as at the Latest Practicable Date.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

6. RECOMMENDATION

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

7. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out in pages 23 to 24 of this circular which contains its advice to the Independent Shareholders regarding the continuing connected transactions under the New Master Agreements and the related annual monetary caps, the letter from Octal Capital set out in pages 25 to 56 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the continuing connected transactions under the New Master Agreements, the Upstream Products

LETTER FROM THE BOARD

Master Sales Agreement and the related annual caps and the principal factors and reasons taken into consideration in arriving at its advice, and the additional information set out in the appendix to this circular.

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



GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

15 October 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS:

**(1) NEW MASTER AGREEMENTS
FOR CONTINUING CONNECTED TRANSACTIONS
(2) SUPPLY OF UPSTREAM PRODUCTS TO THE GBT GROUP**

We refer to the circular issued by the Company to its shareholders and dated 15 October 2012 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

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

* *for identification purposes only*

LETTER FROM INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

For and on behalf of

Independent Board Committee

Chan Yuk Tong

Gao Yunchun

Ho Lic Ki

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular:



八方金融有限公司
Octal Capital Limited

801-805, 8/F, Nan Fung Tower,
173 Des Voeux Road Central,
Hong Kong

15 October 2012

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Master Agreements, the Upstream Products Master Supply Agreement, the transaction contemplated thereby and the Proposed Caps (as defined below), particulars of which are set out in the letter from the Board (the “Letter from the Board”) of this circular to the shareholders (the “Shareholders”) of the Company dated 15 October 2012 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As it is expected that the Group will continue to supply corn sweeteners to the GBT Group after the expiry of the Existing Corn Sweeteners Master Sales Agreement on 31 December 2012, and members of the Group which have or will have their production facilities established in Changchun, the PRC will continue to require the provision and supply of electricity, water, steam and wastewater treatment services and the supply of corn starch by the GBT Group after the expiry of the Existing Utilities Master Supply Agreement and the Existing Corn Starch Master Purchase Agreement on 31 December 2012, the Group has entered into the New Master Agreements with the GBT Group with effect from 1 January 2013. On the other hand, on 30 August 2012, Changchun Dihao (for itself and as trustee for the benefit of other members of the Group) and Changchun Baocheng (for itself and as trustee for the benefit of other members of the GBT Changchun Group which have or will have their production facilities in Changchun, the PRC and which require the supply

LETTER FROM OCTAL CAPITAL

of corn starch in slurry form and corn steep liquor from members of the Group) entered into the Upstream Products Master Sales Agreement for the supply of corn starch and corn steep liquor by the Group to the GBT Changchun Group with effect from 30 August 2012.

As Global Corn Bio-chem, a wholly owned subsidiary of GBT, is a substantial Shareholder holding in aggregate approximately 64% interest in the issued share capital of the Company as at the Latest Practicable Date, and Changchun Baocheng is a wholly owned subsidiary of GBT, both Global Corn Bio-chem and Changchun Baocheng are connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under each of the New Master Agreements and the Upstream Products Master Sales Agreement constitute continuing connected transactions (the “Continuing Connected Transactions”) of the Company under Chapter 14A of the Listing Rules. As the annual consideration receivable from or, as the case may be, payable to the GBT Group under each of the New Master Agreements for each of the three years ending 31 December 2015 and the Upstream Products Master Sales Agreement for each of the three years ending 31 December 2014 are expected to represent more than 5% of each of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10 million each, the continuing connected transactions under each of the New Master Agreements, the Upstream Products Master Sales Agreement and the relevant annual caps are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In this connection, the Company will seek the Independent Shareholders’ approval for the Continuing Connected Transactions, the New Master Agreements, the Upstream Products Master Sales Agreement and the proposed annual caps (the “Proposed Caps”) at the EGM to be conducted by poll. At the EGM, GBT and its associates are required to abstain from voting on the resolution(s) in relation to the Continuing Connected Transactions, the New Master Agreements, the Upstream Products Master Sales Agreement and the Proposed Caps. In addition, the Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the New Master Agreements and the Upstream Products Master Sales Agreement, the Continuing Connected Transactions and the Proposed Caps are on normal commercial terms and fair and reasonable and whether the New Master Agreements and the Upstream Products Master Sales Agreement, the Continuing Connected Transactions and the Proposed Caps are in the interests of the Company and the Independent Shareholders as a whole. In this regard, Octal Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the GBT Group or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the

LETTER FROM OCTAL CAPITAL

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

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group, the Continuing Connected Transactions, the New Master Agreements, the Upstream Products Master Sales Agreement and the Proposed Caps including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the GBT Group and their respective associates nor have we carried out any independent verification of the information supplied.

THE CONTINUING CONNECTED TRANSACTIONS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Continuing Connected Transactions, the New Master Agreements, the Upstream Products Master Sales Agreement and the Proposed Caps, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Continuing Connected Transactions and the Proposed Caps

The Group is principally engaged in the production and sale of corn refined products and corn based sweetener products. Pursuant to the Existing Master Agreements, the Group has been supplying corn sweeteners to the GBT Group and the GBT Group has been supplying corn starch and utilities services to the Group. The Existing Master Agreements will expire on 31 December 2012. These continuing connected

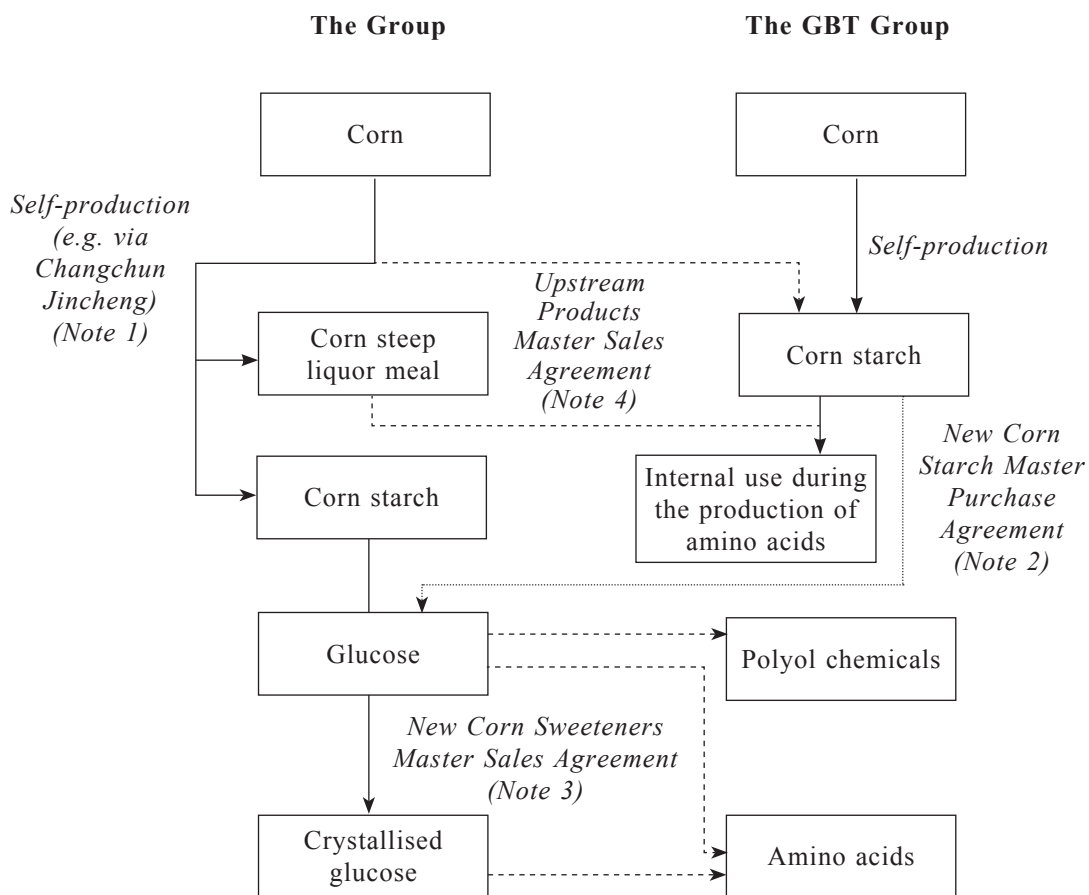
LETTER FROM OCTAL CAPITAL

transactions and the relevant annual caps had been approved at an extraordinary general meeting of the Company held on 29 May 2009 by way of poll and the revised annual caps of the Existing Utilities Master Supply Agreement for the two years ending 31 December 2012 had been approved at an extraordinary general meeting of the Company held on 17 October 2011.

As it is expected that the Group will continue to supply corn sweeteners to the GBT Group after the expiry of the Existing Corn Sweeteners Master Sales Agreement on 31 December 2012, and members of the Group which have or will have their production facilities established in Changchun, the PRC will continue to require the provision and supply of electricity, water, steam and wastewater treatment services and the supply of corn starch by the GBT Group after the expiry of the Existing Utilities Master Supply Agreement and the Existing Corn Starch Master Purchase Agreement on 31 December 2012, the Group has entered into the New Master Agreements with the GBT Group with effect from 1 January 2013.

As advised by the Company, corn is one of the principal materials used for the production of its upstream products (e.g. corn steep liquor meal and corn starch) which are then further processed to downstream products (e.g. glucose and crystallized glucose). Such downstream corn-based products will then be purchased and processed by the GBT Group for its production of polyol chemicals and amino acids. Set out below is the workflow for the production of certain corn-refined products by the Group and the GBT Group.

LETTER FROM OCTAL CAPITAL



Notes:

1. Approximately 1MT of corn is required for the production of 0.7MT of corn starch.
2. Pursuant to the New Corn Starch Master Purchase Agreement, the Group will purchase corn starch in slurry form from the GBT Group. Approximately 1MT of corn starch is required for the Group's production of 1.2MT of glucose.
3. Pursuant to the New Corn Sweeteners Master Sales Agreement, the Group will sell corn sweeteners to the GBT Group. Approximately 2.22MT of glucose is required for the GBT Group's production of 1MT of polyol chemicals.
4. Pursuant to the Upstream Products Master Sales Agreement, the Group will sell corn steep liquor meal (a byproduct of corn starch) and corn starch in slurry form to the GBT Group.

In order to expand the corn processing capacity of the Group, in November 2011, the Company acquired Changchun Jincheng which is principally engaged in the manufacture and sales of corn starch and other corn-refined products. According to the Company, the corn processing capacity of the Group (including Changchun Jincheng) will be expanded from 1,200,000 MT per annum to 1,500,000 MT per annum by the end of 2012 whilst the capacity for producing downstream products (such as glucose and crystallised glucose) is 1,360,000 MT per annum.

LETTER FROM OCTAL CAPITAL

According to the announcement dated 23 September 2011 of GBT, polyol business of the GBT Group was suspended since September 2011 due to the relocation of production plant within Changchun, the PRC. As advised by the Company, the relocated polyol plant is under adjustment on plant and machineries and is expected to resume production in the fourth quarter of 2012 with original production capacity of 200,000 MT per annum. Therefore, the purchase of glucose from the Group by the GBT Group for the production of polyol chemicals has been lower than the expected level before the resumption of polyol business. As advised by the Company, the first phase expansion of the polyol plant is expected to be completed by second half of 2012 and the total production capacity will be expanded to 700,000 MT per annum which is substantially higher than the previous one of 200,000 MT per annum before relocation. As such, the Company expects an increase in purchase volume of glucose by the GBT Group in the coming few years and hence the transaction amount under the New Corn Sweeteners Master Sales Agreement, the New Corn Starch Master Purchase Agreement (owing to the corresponding increase in raw materials required) and the usage of utilities under the New Utilities Master Purchase Agreement will increase as compared with the existing ones.

Changchun Jincheng is principally engaged in the manufacture and sales of corn starch and other corn-refined products and was a wholly-owned subsidiary of GBT before the Jincheng Completion. Changchun Jincheng has corn starch production capacity of 420,000 MT per annum. Prior to the Jincheng Completion, Changchun Jincheng had been supplying corn starch in slurry form and corn steep liquor to the GBT Changchun Group and had been supplying certain quantity of corn starch in slurry form to Changchun Dihao via the connected pipelines. After the Jincheng Completion, Changchun Jincheng became a subsidiary of the Group and the corn starch produced by it will be used by the Group first and the Group would sell any excess quantity, in dehydrated form, to third party. Meanwhile, the GBT Changchun Group had been sourcing corn starch and corn steep liquor within the GBT Group. Due to the production requirement, GBT Changchun Group had experienced shortage in corn starch and corn steep liquor during the past few months after the Jincheng Completion. Given that there are no Independent Third Parties corn starch suppliers in close proximity to the facilities of the GBT Changchun Group, additional transportation cost would be incurred by the GBT Changchun Group if they have to source corn starch and corn steep liquor from Independent Third Parties suppliers. As the facilities of Changchun Jincheng and the GBT Changchun Group are located in close proximity and the Group has excess capacity in corn starch, Changchun Jincheng could supply certain quantity of corn starch to the GBT Changchun Group without affecting the Group's operating activities. Based on the historical and expected consumption of corn starch of Changchun Dihao, it is expected that around 88% of the said corn starch production capacity of 420,000 MT per annum of Changchun Jincheng will be used by the Group with the remaining of

LETTER FROM OCTAL CAPITAL

around 12% to be sold to the GBT Group. As advised by the Company, each of the subsidiaries will submit their production plans on the 5th day prior to each month's end to the Group's CEO for approval. Such production plans take into account the orders received by each subsidiaries plus a reasonable inventory level. This forms an internal guideline for the upstream corn refinery on the internal consumption amount of corn starch needed for the month and the excess capacity available for supplying GBT Group or independent customers.

Moreover, as further advised by the Company, both the corn producing facilities of the Group and the GBT Group would undergo routine maintenance each year which leads to temporary suspension in operation of one to two months and Changchun Jincheng and Changchun Baocheng, the entity under the GBT Group which produce corn starch, would supply corn starch to each other during the respective suspension before the Jincheng Completion. Given Changchun Jincheng and the GBT Changchun Group are located in close proximity, the Group could supply certain quantity of corn starch in slurry form to the GBT Group and vice versa and save costs on both sides. However, after the Jincheng Completion, the Group and the GBT Group could not continue such practice unless shareholders' approval regarding the relevant Continuing Connected Transactions has been obtained and the Group and the GBT Group would be required to purchase corn starch, at higher prices, from third parties during maintenance which is expected to commence few months ahead. Therefore, there is a need for the Group and the GBT Group to supply certain quantity of corn starch to each other in order to facilitate the steady supply of corn starch for normal production and operation at lower costs.

- *Reasons for the New Corn Starch Master Purchase Agreement*

The Group had been sourcing corn starch from the GBT Group as one of the principal production materials for the Group's production. The Directors consider that the purchase of corn starch from the GBT Group under the New Corn Starch Master Purchase Agreement is beneficial to the Group as the GBT Group has a proven track record of quality products and the Group can source reliable supply and consistent quality of production materials and at the same time, owing to the close proximity of the production facilities of the Group and the GBT Group in Changchun, the supply of corn starch by the GBT Group to the Group in slurry form through a pipeline arrangement could largely save the Group's processing, packaging, dehumidifying, storage, transportation and other related costs.

According to the Company, corn starch is one of the principal production materials for the Group and the Group had been producing corn starch from

LETTER FROM OCTAL CAPITAL

its production facilities of Jinzhou Yuancheng, Liaoning Province, the PRC as well as sourcing a substantial amount of corn starch from the GBT Group (including Changchun Jincheng before the Jincheng Completion) in Jilin, Province, the PRC. In order to secure the supply of corn starch for corn sweeteners production facilities of the Group in Changchun, the PRC and reduce the Group's reliance on the supply of corn starch from the GBT Group, in November 2011, the Company acquired Changchun Jincheng from GBT. As a result, the Group's corn starch production capacity was expanded by 420,000 MT per annum.

Corn starch is sold in starch powder form as it is lighter and easier to handle during transportation over long distances. However, during corn-refined products production, both corn starch powder and corn starch slurry can be used as raw materials but corn starch powder is required to be hydrated before they can be applied in the production process. Although the Group is able to supply all corn starch internally after the acquisition of Changchun Jincheng, the Company notes that it would be more cost effective if continuing to purchase certain quantity of corn starch in slurry form from the GBT Group under the existing pipeline transfer system as the pipeline connected between the production facilities of the GBT Group and Changchun Dihao is 50 metres or 17% shorter than that between the production facilities of Changchun Jincheng and Changchun Dihao, the supply of corn starch by the GBT Group through pipeline network will achieve total cost saving of 0.17% as the steam and electricity used to supply the corn starch in slurry form contributed to around 1% of the total production cost. Furthermore, the Group can also save processing, packaging, dehumidifying, storage and transportation costs which, in aggregate, amount to roughly 10% of the total unit cost of the corn starch produced by Changchun Jincheng as compared to the scenario of purchasing from third party suppliers. On the other hand, the additional supply of corn starch slurry by the GBT Group as a backup for downstream production would secure raw material supply of both the Group and the GBT Group and avoid possible bottleneck in case of annual routine maintenance which would last for around one to two months and accidental suspension of either corn refineries. Therefore, the Group decided to enter into the New Corn Starch Master Purchase Agreement in order to continue the transactions contemplated under the Existing Corn Starch Master Purchase Agreement after its expiry on 31 December 2012. As advised by the Company, the Group expects to purchase a maximum of 156,000 MT of corn starch from the GBT Group for each of the three years ending 31 December 2015 which would represent approximately 17.7% of the total corn starch to be used by the Group for each of the three years ending 31 December 2015. We concur with the Company that the

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Group will be able to save certain costs when purchasing certain quantity of corn starch in slurry form from the GBT Group under the New Corn Starch Master Purchase Agreement.

Glucose, a major raw material of polyol chemicals, is produced from corn starch. As production of the polyol products of the GBT Group was temporarily suspended in mid September 2011 until the fourth quarter of 2012, consequently, the purchase of corn starch by the Group from the GBT Group decreased significantly during the same period. As the operation of polyol plant is expected to resume production in the fourth quarter of 2012 with its first phase expansion to be completed, the Company expects an increasing demand of glucose from the GBT Group, which would in turn require the Group to source additional quantity of corn starch in order to produce additional quantity of glucose.

Based on the above, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the Group to enter into the New Corn Starch Master Purchase Agreement with the GBT Group to secure a stable supply of corn starch from a reliable supplier and to achieve saving in cost.

- *Reasons for the New Corn Sweeteners Master Sales Agreement*

The GBT Group had been sourcing corn sweeteners from the Group and third party suppliers as one of the principal production materials for production of its amino acids and polyol products. Leveraged from the Group's efficient cost control, the Group has been able to offer its corn sweeteners products to its Independent Third Party customers in Changchun at more competitive prices than that offered to the GBT Group by third party suppliers in Changchun for corn sweeteners products sourced thereby. As such, it is beneficial to both the Group and the GBT Group for the GBT Group to source corn sweeteners from the Group, with assurance as to quality and at more competitive prices. With the expected increase in demand of the Group's corn sweeteners by the GBT Group due to the expansion of its polyol and lysine business, the sale of corn sweeteners by the Group to the GBT Group under the New Corn Sweeteners Master Sales Agreement will also provide a secured source of revenue for the Group.

As advised by the Company, corn sweeteners to be sold by the Group to the GBT Group pursuant to the New Corn Sweeteners Master Sales Agreement can be classified into glucose and crystallised glucose. Glucose will be further processed and converted into either amino acids (such as lysine or

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glutamic acid) or polyol chemicals. The GBT Group is currently one of the largest lysine manufacturers in the world and its sales volume of lysine was approximately 570,000 MT in 2011.

Lysine is one of the most widely used amino acids and can be applied in the diets of swine, poultry and most other animal species. Glutamic acid is another type of amino acids which can be used as salt-replacing agent, nutrition supplement and flavor enhancer, etc. and are widely used in food production and is also the raw material of MSG. Polyol is a collective name of a group of chemicals (such as ethylene glycol and propylene glycol) traditionally obtained from petroleum. The end products can be applied in various industries including automobiles, molding, chemistry, coating, food, cosmetics and pharmaceuticals.

According to the announcement of GBT dated 23 September 2011, relocation of a polyol plant was required by the PRC government and the polyol business of the plant was suspended. As advised by the Company, the new polyol plant of GBT will be situated at Xinglongshan, Changchun, the PRC with an expanded production capacity of 700,000 MT per annum as compared to the 200,000 MT per annum before relocation. Resumption of production is expected to take place in the fourth quarter of 2012 and the first phase expansion is expected to be completed within second half of 2012 with the total production capacity of 700,000 MT per annum. As the production capacity of the new polyol plant is expanded, the Company expects an increasing demand of glucose from the GBT Group.

As advised by the Company, sales of corn sweeteners to the GBT Group for the production of amino acids (such as lysine and glutamic acid) and polyol chemicals, accounted for approximately 23%, 19% and 17% of the total sales of the Group for each of the three years ended 31 December 2011, respectively. Therefore, the sale of corn sweeteners to the GBT Group has significant contribution to the results of the Company. According to the Company, the glucose/maltose production capacity of the Group for 2011 was 820,000 MT per annum whilst the production volume of glucose/maltose was only 658,000 MT during the same year. As the Group has excess production capacity, the Directors consider the sale of corn sweeteners to the GBT Group can increase the utilisation rate and enhance the income of the Group.

Based on the above, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the Group to enter into the New Corn Sweeteners Master Sales Agreement with the GBT

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Group to secure a stable source of revenue from the sales of corn sweeteners to the GBT Group.

- *Reasons for the New Utilities Master Supply Agreement*

The GBT Group has been providing utilities services including electricity, water, steam and wastewater treatment services to the Changchun Group on a recurring basis. The Directors consider that it is for the commercial benefit of the Changchun Group to source utilities services from Changchun Baocheng to achieve economies of scale. The Directors also consider that it is for the commercial benefit of the Changchun Group to source such utilities services from Changchun Baocheng instead of incurring capital expenditure or additional cost for construction of its own facility or sourcing from third party suppliers, as the price is determined with reference to the actual cost incurred by Changchun Baocheng for its provision of such services, which is on normal commercial terms and on price not higher than that sourced by the Changchun Group from Independent Third Parties. Further, since the GBT Group has been acting as the administrator in dealing with local electricity and water suppliers for the supply of electricity and water for the Changchun Group, administrative time and costs are saved by the Changchun Group in this respect.

The Changchun Group (including Changchun Jincheng and Changchun Dihao) is located within the production site of the GBT Group at Changchun and such production site has equipped with its own power plant and wastewater treatment plant installed by the GBT Group. Water is supplied by independent local water company and Changchun Baocheng purchases water on a centralised basis (for the GBT Group and on behalf of the Changchun Group). Water is used as a solvent during the production process of the Changchun Group such as steeping and cleansing and it is also used for producing steam. Steam is used as carrier to provide pressure in the pipeline during the production process of the products of the Changchun Group. Electricity is generated by the power plant of the production site using coal and steam is produced as by-product at the same time. The power output of such power plant is insufficient to support the demand for the whole production site and the shortfall of electricity is sourced from the independent local power company. In addition, according to the relevant policies of the electricity company, due to the fact that the Changchun Group forms part of the production site and was indirectly owned by the GBT Group, the electricity company will not consider the Changchun Group as a separate entity and install separate meter and power lines at/to the Changchun Group.

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The wastewater treatment plant was built in 1997 by the GBT Group and it has been providing wastewater treatment services to the GBT Group and the Changchun Group. Moreover, as advised by the Company, there is no wastewater treatment services provider in Changchun and the manufacturing plants establish their own wastewater treatment facilities in order to comply with the relevant regulations. Given that the cost of establishing a new wastewater treatment plant for the Changchun Group would be substantial and there is no vacant land nearby for building such plant, the Changchun Group has to require the GBT Group to provide such wastewater treatment services.

Based on the above, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the Group to enter into the New Utilities Master Supply Agreement with the GBT Group to secure a stable utilities services provider without incurring additional capital expenditure on utilities facilities.

- *Reasons for the Upstream Products Master Sales Agreement*

Pursuant to the Jincheng S&P Agreement entered into between GCIL and the Company dated 2 September 2011, the Company has acquired the entire equity interest of Changchun Jincheng on 17 November 2011. Prior to the Jincheng Completion, Changchun Jincheng had been supplying corn starch and corn steep liquor to the GBT Changchun Group. After the Jincheng Completion, the GBT Changchun Group had been sourcing corn starch and corn steep liquor within the GBT Group. Due to the production requirement, the GBT Changchun Group had experienced shortage in corn starch and corn steep liquor during the past few months after the Jincheng Completion. Given that there are no Independent Third Parties suppliers in close proximity to the facilities of the GBT Changchun Group, additional transportation cost would be incurred by the GBT Changchun Group if they have to source corn starch and corn steep liquor from Independent Third Parties suppliers. As the facilities of Changchun Jincheng and the GBT Changchun Group are connected with pipeline, Changchun Jincheng could supply corn starch to the GBT Changchun Group in slurry form through the pipeline. It is therefore beneficial to both the Group and the GBT Group for the GBT Group to source corn starch in slurry form from the Group, whereby the Group could sell corn starch and corn steep liquor which are in excess for internal consumption of the Group to the GBT Group with saving in costs as the Group is not required to convert the corn starch into powder form before sale, and the sale of corn starch and corn steep liquor by the Group to the GBT Group under the Upstream Products Master Sales Agreement will also provide a secured source of revenue for the Group.

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Changchun Jincheng is principally engaged in the manufacture and sales of corn starch and other corn-refined products and was a wholly-owned subsidiary of GBT before the Jincheng Completion. The GBT Group used to source corn starch in slurry form, which is one of the raw materials for producing its downstream products, from Changchun Jincheng as internal production step before the Jincheng Completion. In order to reduce the reliance on the supply of corn starch by the GBT Group, the Company acquired Changchun Jincheng in November 2011. Thereafter, the Group has expanded its capacity in producing corn starch and corn starch slurry which are used in the production of glucose and other corn sweeteners. As Changchun Jincheng had ceased to supply corn starch and corn steep liquor to the GBT Group after the Jincheng Completion, the GBT Group had experienced shortage in corn starch and corn steep liquor.

In view of the close proximity of the production facilities of Changchun Jincheng and the GBT Group in Changchun, the PRC, the Directors consider that it is commercial beneficial for Changchun Jincheng to make use of its existing pipeline transfer system to transfer corn starch slurry to the GBT Group in order to save the cost of processing, packaging, dehumidifying, storage and transportation. As such, the Directors consider the supply of upstream products to the GBT Group pursuant to the Upstream Products Master Sales Agreement allows the Group to better utilize its existing facilities and secure an additional revenue stream. In addition, both the corn producing facilities of the Group and the GBT Group would undergo routine maintenance each year which leads to temporary suspension in operation of one to two months and Changchun Jincheng and Changchun Baocheng, the entity under the GBT Group which produce corn starch, would supply corn starch to each other during the respective suspension before the Jincheng Completion. Given Changchun Jincheng and the GBT Changchun Group are located in close proximity, the Group could supply certain quantity of corn starch in slurry form to the GBT Group and vice versa and save costs on both sides. However, after the Jincheng Completion, the Group and the GBT Group could not continue such practice unless shareholders' approval regarding the relevant Continuing Connected Transactions has been obtained and the Group and the GBT Group would be required to purchase corn starch, at higher prices, from third parties during maintenance which is expected to commence few months ahead. Therefore, there is a need for the Group and the GBT Group to supply certain quantity of corn starch to each other in order to facilitate the steady supply of corn starch for normal production and operation at lower costs.

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Based on the above, we consider it is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the Group and the GBT Group to carry out the Continuing Connected Transactions to (i) secure stable supply of corn starch at a proven quality and lower cost; (ii) secure the stable revenue stream from the sale of corn sweeteners; (iii) secure a stable utilities service provider without incurring additional capital expenditure on utilities facilities; and (iv) generate additional revenue from sales of corn starch and corn steep liquor.

2. *The Proposed Caps*

- *New Master Agreements*

Based on information provided by the Company, we summarise in the following table the relevant Proposed Caps of the New Master Agreements for the three financial years ending 31 December 2015:

	For the		For the	For the		
	financial years ended		months	financial year ending		
	31 December		ended	31 December		
	2010	2011	2012	2013	2014	2015
Continuing Connected Transactions	Historical	Historical	Historical	Proposed	Proposed	Proposed
	figures/	figures/	figures/			
	(historical	(historical	(historical			
	annual cap)	annual cap)	annual cap)			
	(in	(in	(in	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)
	HK\$ '000)	HK\$ '000)	HK\$ '000)			
New Corn Starch Master Purchase Agreement	794,800 (797,900)	865,800 (877,600)	133,400 (965,500)	533,900	587,200	645,900
New Corn Sweeteners Master Sales Agreement	634,800 (994,300)	730,100 (1,131,000)	394,900 (1,287,300)	1,275,700	1,580,300	1,738,300
New Utilities Master Supply Agreement	87,700 (124,300)	112,200 (124,300)	118,200 (268,000)	255,000	280,700	309,200

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(a) New Corn Starch Master Purchase Agreement

Pursuant to the New Corn Starch Master Purchase Agreement, the Changchun Group will purchase corn starch in the form of starch slurry from the relevant member of the GBT Group at prices to be from time to time determined by the relevant members of the GBT Group and the Changchun Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the dehumidifying, packaging, transportation, storage and other related costs which should be borne by the Changchun Group but for the delivery arrangement explained below, and on such other standard terms of sale and purchase from time to time. As advised by the Company, the internal policy requires the Group to obtain at least one quotation from independent suppliers each month and compare the quoted prices with the average selling price of corn starch of the GBT Group during the previous calendar month. In practice, the Group usually obtains one quotation from two independent suppliers each month. The Company will adopt the lower price as the market rate and adjust for the above costs in order to obtain a price to mimic the fair price as if the starch powder was produced in slurry form. We consider such pricing mechanism to be fair and reasonable.

Pursuant to the New Corn Starch Master Purchase Agreement, the GBT Group will procure the delivery of corn starch to the Group's Changchun production plants by way of starch pipeline. There are meters between the Changchun Group's and the relevant the GBT Group member's production plants in Changchun measuring the amount of corn starch consumed. The payment terms for the products will be set out in the purchase order for each order to be placed under the New Corn Starch Master Purchase Agreement, provided that the purchase price shall be payable by the relevant member of the Changchun Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. The New Corn Starch Master Purchase Agreement is for a term of three years commencing from 1 January 2013 and expiring on 31 December 2015 unless terminated earlier by three months' written notice by either party.

The Proposed Caps for each of the three years ending 31 December 2015 are determined by the Directors by reference to the historical aggregate purchase prices payable by the Changchun Group to the GBT Group

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for the purchase of corn starch and the expected increase in the price of corn starch at the rate of 10% per year for the three years ending 31 December 2015 taking into consideration of an estimated inflation rate of 5% in the PRC and the appreciation of Renminbi of 5% per annum and the estimated annual demand of the corn starch of 156,000 MT of the Group for the production of its corn sweeteners which is expected to match the required demand of the GBT Group for production of its polyol chemicals and amino acids for the three years ending 31 December 2015.

As set out in the above table, the historical transaction amounts pursuant to the Existing Corn Starch Master Purchase Agreement almost reached the historical annual cap for each of the two years ended 31 December 2011. However, it is noted that the historical transaction amount for the seven months ended 31 July 2012 was significantly lower than half of the annual cap for the year ending 31 December 2012. As advised by the Company, such decrease in purchase of corn starch from the GBT Group was mainly due to (i) the relocation of the polyol plant of GBT in Changchun, the PRC in September 2011 which reduced the purchase of glucose, being a principal material for production of polyol chemicals from the Group; and (ii) the acquisition of Changchun Jincheng.

In September 2011, GBT was required by the PRC government to relocate the polyol plant of GBT situated at Changchun, the PRC. As a result, the polyol business of GBT was temporarily suspended thereafter and the purchase of glucose from the Group decreased. Since corn starch is the principal materials for the Group's production of glucose, the Group reduced the purchase volume of corn starch from the GBT Group to cope with the significant decrease in demand of glucose from the GBT Group. As such, we have obtained from the Company the historical transaction volume of corn sweeteners between the Group and the GBT Group for the two years ended 31 December 2011 and noted that the purchase volume of glucose that can be used by GBT for producing polyol chemicals represented over half of the total purchase volume of corn sweeteners for each of the two years ended 31 December 2011 which has dropped significantly since the third quarter of 2011.

On the other hand, in November 2011, the Company acquired Changchun Jincheng from GBT in order to reduce its reliance on the supply of corn starch from the GBT Group. As a result of the acquisition, the corn starch production capacity of the Group was expanded by 420,000 MT

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per annum and the Group can almost supply sufficient corn starch for its internal use and hence the purchase volume of corn starch from the GBT Group dropped.

As regard the Proposed Caps to be sought for the Continuing Connected Transactions for the three financial years ending 31 December 2015 of HK\$533,900,000, HK\$587,200,000 and HK\$645,900,000 respectively, we have obtained from the Company a list of estimated purchase of corn starch summing roughly up to the Proposed Caps. We understand from the Directors that such list of estimate was prepared on the basis of multiplying the estimated price per metric tonne of the corn starch by the estimated quantity to be purchased. The estimated quantity of corn starch to be purchased from the GBT Group is based on actual purchase volume recorded in 2011 and the seven months ended 31 July 2012 and the expected demand of corn starch from the GBT Group during 2013 to 2015 which was derived from the expected utilisation rate and the then production capacity of the relocated polyol plant.

In order to assess the fairness and reasonableness of the estimated price and estimated quantity of corn starch to be purchased used in the list of estimate by the Group, we have performed the following analysis. We have obtained and reviewed the historical purchase volumes of corn starch by the Group for the each of the two years ended 31 December 2011 and noted that the purchase volume were roughly 347,777 MT and 318,240 MT and upon comparison, we noted that such historical purchase volumes were significantly larger than the 156,000 MT to be acquired under the relevant Proposed Caps for each of the three years ending 31 December 2015. Meanwhile, the purchase volume of corn starch by the Group for the seven months ended 31 July 2012 was roughly 44,808 MT. We understand from the Company that the exceptionally low purchase volume in 2012 was mainly due to the relocation of the polyol plant of the GBT Group which led to a substantial decrease in purchase of corn starch by the Group for its production of corn sweeteners, which would in turn be sold to the GBT Group for producing polyol chemicals. As advised by the Company, the relocated polyol plant of GBT will resume production in the fourth quarter of 2012 with original production capacity of 200,000 MT per annum and the first phase expansion of production capacity of the polyol plant will expand the production capacity to 700,000 MT per annum within second half of 2012. As a result, it is expected that the demand of glucose from the GBT Group during 2013 to 2015 will increase

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significantly as compared to the level of 2011 and 2012. As such, we have obtained and reviewed the sales plan of corn sweeteners (mainly glucose) of the Group to the GBT Group which highly correlates to the expansion of production capacity of the polyol plant of the GBT Group and noted that the estimated sales volume is expected to increase from 400,000 MT for 2013 to 446,000 MT for 2015 which are significantly larger than that for 2011.

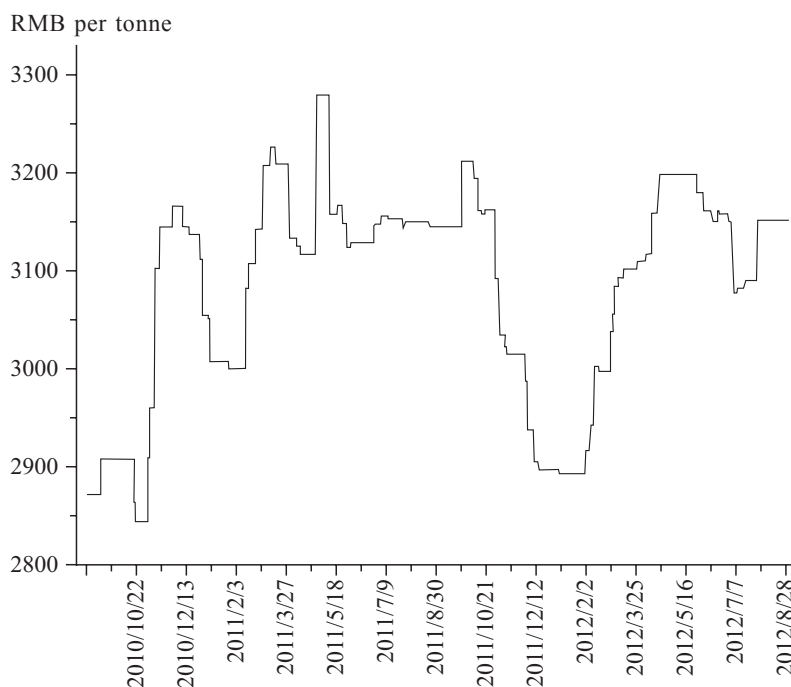
According to the Company, the production volume of downstream products of the GBT Group (excluding the capacity of the Group) was 756,225 MT during 2011. As advised by the Company, the aforesaid production volume of downstream products should generally require approximately 1,279,617 MT of glucose. We also noted from the historical transactions between the Group and the GBT Group that the purchase of glucose for the production of polyol chemicals has represented a significant portion of total purchase volume for the two years ended 31 December 2011 and the seven months ended 31 July 2012. As the production capacity of GBT's polyol plant will be resumed in the fourth quarter of 2012 and further expanded within second half of 2012 with production capacity roughly tripled, the sales volume of glucose to the GBT Group for its production of downstream products (where approximately 2.2 MT of glucose are required to produce 1 MT of polyol chemicals) is also expected to increase accordingly and the corn starch required by the Group is also expected to increase. As such, the Company assumes a 50% growth in the estimated purchase volume of corn starch from the GBT Group from 2012 to 2013 and no growth during 2013 to 2015. We also noted that the Proposed Caps for each of the three years ending 31 December 2015 are significantly lower than the previous annual caps. Taking into account the resumption in production of the polyol plant and its relevant expansion in production capacity and the historical purchase volumes of the corn starch before the suspension of the polyol plant of the GBT Group, we consider the assumed growth of 50% is fair and reasonable.

For the estimated purchase price per metric tonne of the corn starch, we have reviewed the projection made by the Company in arriving the Proposed Caps and noted that the Company has assumed the selling price of corn starch in 2013 to be roughly the same as the average price level of the first seven months in 2012. As the Group has not purchased corn starch from party other than the GBT Group, there is no relevant

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historical transaction price between the Independent Third Parties available for our comparison. However, as set out above, the Group would generally obtain one quotation from two suppliers and compare the quoted prices with the average selling price of corn starch of the GBT Group during the previous calendar month. The Company will adopt the lower price as the market rate and settle the relevant payment within reasonable timeframe to ensure the purchase would be on normal commercial terms. Furthermore, comparison of pricing between the Group and the GBT Group and that offered by the Independent Third Parties Suppliers are submitted for the monthly review by the CCT Executive Committee before the execution of the relevant transactions. We have conducted sample checking on the aforesaid reports submitted to the CCT Executive Committee and we noted that the Group has properly implemented such procedure. Based on the aforesaid, we consider such measure is adequate to ensure the transactions pursuant to the New Corn Starch Master Purchase Agreement are carried out on normal commercial terms.

Corn Starch Price in the PRC between October 2010 and August 2012



Source: www.yumi.com.cn (中國玉米網)

As set out in the chart above, corn starch powder price has been increasing since October 2010 in general and has fluctuated above RMB3,000 per tonne for most of the time in 2012. Meanwhile, we noted

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from estimated purchase of corn starch by the Group that the expected purchase prices of corn starch slurry for the three years ending 31 December 2015 of approximately HK\$3,422, HK\$3,764 and HK\$4,140 (equivalent to approximately RMB2,772, RMB3,048 and RMB3,353) per MT respectively were determined with reference to the historical purchase price for the seven months ended 31 July 2012 which we consider acceptable. We also noted that the Company assumes an annual growth rate of 10% in the purchase price during 2013 to 2015 which is the combined result of the inflation in the PRC, appreciation in Renminbi and buffer. Given that the reporting currency of the Group is Hong Kong Dollars, the transaction amount will have to be translated from Renminbi into Hong Kong Dollar and any appreciation in Renminbi will inflate the actual transaction amount. We have also reviewed the exchange rate of Renminbi and Hong Kong Dollar over the past five years and noted the exchange rate of Renminbi and Hong Kong Dollar has been appreciated in general. Although the appreciation of the exchange rate of Renminbi and Hong Kong Dollar has grown slower since 2012, we concur with the Company that it is also crucial to take such impact into account when estimating the Proposed Caps and the annual growth rate of 10% is fair and reasonable.

On the above basis, we consider that the bases on which the Proposed Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

(b) New Corn Sweeteners Master Sales Agreement

Pursuant to the New Corn Sweeteners Master Sales Agreement, the GBT Group will purchase corn sweeteners from the Group solely for its own production use at prices to be determined from time to time by the relevant member of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to Independent Third Parties. The payment terms for the products will be set out in the purchase order for each order to be placed under the New Corn Sweeteners Master Sales Agreement, provided that the purchase price shall be payable by the relevant member of the GBT Group within 60 days after the date of the relevant invoice issued by the Group. The New Corn Sweeteners Master Sales

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Agreement is for a term of three years commencing from 1 January 2013 and expiring on 31 December 2015 unless terminated earlier by three months' written notice by either party. As advised by the Company, the Group would use the Changchun Group's average selling price of corn sweeteners with the same or similar specifications to Independent Third Parties during the previous calendar month as a reference. Adjustments would also be made according to any difference in specification and the quantity of the corn sweeteners to be transacted with the GBT Group. The Company will adopt a price which is no favourable than the price offered to Independent Third Parties as the selling price of corn sweeteners to be sold to the GBT Group. We consider such pricing mechanism to be fair and reasonable.

The Proposed Caps were determined by the Directors by reference to the historical aggregate selling prices receivable for the sale of corn sweeteners products by the Group to the GBT Group for the seven months ended 31 July 2012, the estimated demand of the Group's corn sweeteners by the GBT Group for the three years ending 31 December 2015 based on (1) the historical quantities purchased by the GBT Group which amounted to approximately 260,000MT for the year ended 31 December 2011; (2) the total estimated quantities to be purchased by the GBT Group with the resumption of the polyol production facilities of the GBT Group in the fourth quarter of 2012 is expected to amount to 400,000MT, 440,000MT and 440,000MT for the three years ending 31 December 2015, respectively; and (3) the expected increase in the market prices of corn sweeteners in the coming years which took into account (i) the estimated inflation rate in the PRC at 5% per annum and (ii) the estimated appreciation of Renminbi of 5% per annum, which were based on the actual historical figures in the past three years.

In order to assess the fairness and reasonableness of the estimated price and estimated quantity of corn sweeteners to be sold used in the list of estimate by the Group, we have performed the following analysis. As set out in the above table, the historical transaction amounts pursuant to the Existing Corn Sweeteners Master Sales Agreement represented roughly 64% of the historical annual caps for the two years ended 31 December 2011. We also note that the relevant historical transaction amount for the seven months ended 31 July 2012 was significantly lower than the half of the annual cap for the year ending 31 December 2012. We were advised by the Company that the significant drop in sales of sweeteners from the Group to the GBT Group in 2012 was mainly due to the

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suspension of polyol business of the GBT Group as a result of relocation of its polyol plant. Also, we note that the Company used to sell other corn sweeteners (such as maltose and lower concentration of crystallised glucose) to the GBT Group in 2010 but the Group ceased to supply these corn sweeteners to the GBT Group since 2011. As advised by the Company, the GBT only sources glucose from the Group due to close proximity and proven reliable quantity and quality and therefore, the production plan of the GBT Group, in particular the polyol plant which consumes a large quantity of glucose, has strong impact on the Group's production plan of glucose. Accordingly, the level of the actual sales volume in 2012 of corn sweeteners by the Company to the GBT Group was exceptionally low and should not be considered as a normal level.

As regard the Proposed Caps to be sought for the Continuing Connected Transactions for the three financial years ending 31 December 2015 of HK\$1,275,700,000, HK\$1,580,300,000 and HK\$1,738,300,000 respectively, we have obtained from the Company a list of estimated purchase of corn sweeteners summing roughly up to the Proposed Caps. We understand from the Directors that such list of estimate was prepared on the basis of multiplying the estimated price per metric tonne of the corn sweeteners (substantially all are glucose) by the estimated quantity to be purchased. The estimated quantity of glucose to be purchased by the GBT Group is based on the actual sales volume recorded in 2011 and the seven months ended 31 July 2012 and the expected demand of glucose from the GBT Group during 2013 to 2015.

We have obtained and reviewed the historical purchase volumes of glucose by GBT Group for the each of the two years ended 31 December 2011 and noted that the volume were roughly 320,000 MT and 280,000 MT. Upon comparison, we noted that such purchase volumes are less than the estimated sales of 406,000 MT for the year 2013. Meanwhile, the purchase volume of glucose by GBT Group for the seven months ended 31 July 2012 was roughly 142,118 MT. As advised by the Company, the relocated polyol plant of GBT will resume production in the fourth quarter of 2012 and there is a first phase expansion of production capacity of the polyol plant in the second half of 2012 to 700,000 MT per annum from 200,000 MT per annum before the relocation. As production capacity of polyol chemicals by the GBT Group will be tripled since second half of 2012, it is expected that the demand of glucose from GBT during 2013 to 2015 will increase significantly as compared to the level in 2011.

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For the estimated purchase price per metric tonne of the glucose, we have reviewed the projection made by the Company in arriving the Proposed Caps and noted that the Company has assumed the selling price of glucose in 2013 to be roughly the same as the average price level of the first seven months in 2012. We have reviewed the historical selling prices of the glucose of the Group to the GBT Group and Independent Third Parties and we note that the selling price was on an increasing trend since 2009 in response to the general increasing trend of sugar. We also note that the Group has assumed an annual growth rate of 10% in selling price during 2013 to 2015 which is the combined result of the inflation in the PRC, appreciation in Renminbi and buffer. Given that the reporting currency of the Group is Hong Kong Dollars, the transaction amount will have to be translated from Renminbi into Hong Kong Dollar and any appreciation in Renminbi will inflate the actual transaction amount. We have also reviewed the exchange rate of Renminbi and Hong Kong Dollar over the past five years and noted the exchange rate of Renminbi and Hong Kong Dollar has been appreciated in general. Although the appreciation of the exchange rate of Renminbi and Hong Kong Dollar has grown slower since 2012, we concur with the Company that it is also crucial to take such impact into account when estimating the Proposed Caps and the annual growth rate of 10% is fair and reasonable.

On the above basis, we consider that the bases on which the Proposed Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

(c) New Utilities Master Supply Agreement

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

The New Utilities Master Supply Agreement shall have an initial term of three years commencing on 1 January 2013 and expiring on 31 December 2015, with an option by the Changchun Group, but not Changchun

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

The Proposed Caps were determined by the Directors by reference to the historical aggregate fees payable by the Changchun Group to the GBT Group for provision of utilities services based on the historical actual unit cost of utilities for the seven months ended 31 July 2012, the expected increase in the cost of providing the utilities services by the GBT Group in the coming years due to the completion of the acquisition of Changchun Jincheng, a corn refinery with a corn processing capacity of 600,000MT per annum, from the GBT Group in November 2011, the impact on the inflation rate which took into account (i) the estimated inflation rate in the PRC at 5% per annum and (ii) the estimated appreciation of Renminbi of 5% per annum, which were based on the actual historical figures in the past three years and the expected increase in the requirements and demand for supply of electricity, water and steam and the provision of wastewater treatment services from Changchun Baocheng by the Changchun Group as a result of the expected increase in the production of corn sweeteners products during the three years ending 31 December 2015 based on the expectation that the polyol production facilities of the GBT Group will resume production in the fourth quarter of 2012 which is expected to consume additional quantities of the Group's sweetener products of 140,000 MT, 180,000 MT and 180,000 MT for the three years ending 31 December 2015, respectively.

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In particular, we were advised by the Company that the relevant Proposed Caps under the New Utilities Master Supply Agreement can be further broken down into the following categories and we also set out the aggregate of the historical and estimated monetary amounts of the utilities of the Changchun Group together with Changchun Jincheng to mimic the situation after the Completion:

	For the year ended 31 December 2010 <i>(Historical)</i> <i>HK\$ million</i>	For the year ended 31 December 2011 <i>(Historical)</i> <i>HK\$ million</i>	For the seven months ended 31 July 2012 <i>(Historical)</i> <i>HK\$ million</i>	For the year ending 31 December 2013 <i>(Estimate)</i> <i>HK\$ million</i>	For the year ending 31 December 2014 <i>(Estimate)</i> <i>HK\$ million</i>	For the year ending 31 December 2015 <i>(Estimate)</i> <i>HK\$ million</i>
Supply of electricity	20.1	30.6	39.8	82.8	91.3	100.8
Supply of steam	55.9	73.1	72.0	159.3	175.3	192.8
Provision of wastewater treatment services	6.6	7.5	6.4	12.9	14.1	15.6
Total	82.6	112.1	118.2	255.0	280.7	309.2
Proposed Caps	N/A	N/A	N/A	255.0	280.7	309.2

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

Electricity used by the Changchun Group is provided by the power plant owned by the GBT Group and the independent local power company. Electricity is charged on cost basis with reference to the monthly cost incurred by the GBT Group for generating electricity for the Group. As advised by the Company, given that electricity and steam will be generated during the power generating process, the effective cost of generating electricity (i.e. the purchase price of the Changchun Group) may sometimes lower than the price charged by the independent local

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power company and the rate charged by the local power company and the overall rate has been comparable to the rate charged by the local power company. Since there are separate meters installed in the premises of the Changchun Group for measuring the consumption of electricity where the Group can clearly record the usage which will be used to check against the bills from the GBT Group, we consider such measure is adequate to ensure the electricity is charged in accordance to the policy governing the transactions under New Utilities Master Supply Agreements.

As further advised by the Company, there is no independent steam supplier available in Changchun and it is not cost efficient for the Changchun Group to produce steam on its own by using additional electricity or energy source. Moreover, there is no independent wastewater treatment service provider available in Changchun and it is costly for the Changchun Group to build its own wastewater treatment plant. In view of the special circumstances stated above, we were confirmed by the Company that there were no comparable transactions in respect of the provision of steam and wastewater treatment services from Independent Third Parties available for our comparison. As further advised by the Company, the pricing of the services were determined with reference to relevant actual costs incurred by the GBT Group and the GBT Group will continue to follow the same pricing mechanism during 2013 to 2015. The price of steam and wastewater treatment is determined with reference to the actual cost incurred by the GBT Group for its provision of such services. The GBT Group will provide the relevant ledgers, invoices and cost calculation worksheet to the Group for verifying and agreeing the relevant basis of calculation in order to ensure no irrelevant costs were included.

As regards the Proposed Caps to be sought of the obtaining of services by the Group from the GBT Group for the three financial years ending 31 December 2015 of HK\$255.0 million, HK\$280.7 million and HK\$309.2 million respectively, we have obtained from the Directors a list of estimated services summing roughly up to the Proposed Caps. We understand from the Directors that such list of estimate was prepared on the basis of multiplying the estimated price per unit of the individual services by the estimated quantity of the corresponding services. The estimated quantity of the corresponding services was arrived at after taking into account the historical usage of the relevant utilities and the future demand of the utilities as derived from the expected production

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plan. Meanwhile, we note that the estimated price per unit of the utilities adopted in the list of estimate was primarily based on the recent historical transactions.

Moreover, the level of the historical usage and expected usage of electricity, steam and wastewater treatment services is directly proportional to the level of production in general. In addition, we were advised by the Company that the production scale has been increasing over the last few years and is expected to continue to grow in near future, especially after taking into account the additional corn starch producing capacity of 420,000 MT per annum upon the Jincheng Completion and increasing demand of glucose to be produced by the Group for supplying to the GBT Group for its production of polyol chemicals as a result of the resumption of the polyol business and the significant expansion of production capacity of the relocated polyol plant of the GBT Group. Accordingly, we are of the view that the magnitude of increment in the level of usage of electricity, steam and wastewater treatment services is acceptable.

- *Upstream Products Master Sales Agreement*

Pursuant to the Upstream Products Master Sale Agreement, the GBT Changchun Group will purchase corn starch in the form of starch slurry and corn steep liquor from the relevant member of the Changchun Group at prices to be from time to time determined by the relevant members of the GBT Changchun Group and the Changchun Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the dehumidifying, packaging, transportation, storage and other related costs which should be borne by the Changchun Group but for the delivery arrangement explained below, and on such other standard terms of sale and purchase from time to time. As advised by the Company, the Group would obtain market selling price in Changchun area, if not available, the average selling price of corn starch powder of the Changchun Group during the previous calendar month. The Company will adopt the available price as the market rate and adjust for the above costs in order to obtain a price to mimic the fair price as if the starch powder was produced in slurry form. We consider such pricing mechanism to be fair and reasonable.

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Pursuant to the Upstream Products Master Sales Agreement, the Changchun Group will procure the delivery of corn starch to the GBT Changchun Group's production plants by way of starch pipeline. There are meters between the GBT Changchun Group's and the relevant Group member's production plants in Changchun measuring the amount of corn starch consumed. The payment terms for the products will be set out in the purchase order for each order to be placed under the Upstream Products Master Sales Agreement, provided that the purchase price shall be payable by the relevant member of the GBT Changchun Group within 60 days after the date of the relevant invoice issued by the relevant member of the Changchun Group. The Upstream Products Master Sales Agreement is for a term of three years commencing from 30 August 2012 and expiring on 31 December 2014 unless terminated earlier by three months' written notice by either party.

We set out in the following table the Proposed Caps of the Upstream Products Master Sales Agreement for the three financial years ending 31 December 2014:

	For the financial years ending		
	31 December		
	2012	2013	2014
	Proposed	Proposed	Proposed
Continuing Connected Transactions	Cap	Cap	Cap
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Supply of corn starch and corn steep liquor by the Changchun Group to the GBT Changchun Group	127.4	422.8	463.9

Note: The GBT Group has not purchased any corn starch and corn steep liquor from the Group before the entering of the Upstream Products Master Sales Agreement

The Proposed Caps for each of the three years ending 31 December 2014 are determined by the Directors by reference to the terms offered by the Group to Independent Third Parties and at the prevailing market rates of corn steep liquor and corn starch powder, so as to ensure that the selling prices payable by the GBT Group are set on a fair and reasonable basis and in the best interests of the Company and its shareholders and on terms no more favourable than those offered to Independent Third Parties and, in respect of corn starch to be supplied by the Group's production facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, given that the

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corn starch slurry is pumped directly through pipelines network connecting between the facilities of the Changchun Group and the GBT Changchun Group, no dehumidification, packing and transportation process would be involved and as such, adjustments has been made with reference to the dehumidifying, packaging, transportation, storage costs and other related costs such as insurance and utility cost.

With respect to the pricing policy for the sale of corn starch under the Upstream Products Master Sales Agreement, the CCT Executive Committee shall determine the price and terms based on the market price of corn starch of comparable quantities and specifications as quoted from independent customers at the end of the previous calendar month. Besides, corn starch is traded as a commodity in the market in the PRC. Given the market is mature, the price information is transparent and is available on various websites and the prices are being updated on a daily basis. As such, the CCT Executive Committee could obtain the market price of corn starch easily. However, if there is no sufficient market information, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn starch of comparable specifications and quantities. In the event that there is no sufficient market information and the Group has not sold any corn starch to independent customers during the relevant month, the CCT Executive Committee shall obtain the average unit selling price during the previous calendar month and other major commercial terms offered to the Group by independent suppliers for purchase of corn starch of comparable specifications and quantities. In all of the scenarios listed above, the CCT Executive Committee shall make necessary adjustments of the unit transportation, storage, insurance, dehydration and/or packaging costs saved by the Group by reason of the supply of corn starch in slurry form.

Before the Jincheng Completion, Changchun Jincheng had been supplying corn starch and corn steep liquor to the GBT Changchun Group. After the Jincheng Completion, the GBT Changchun Group had been sourcing corn starch and corn steep liquor within the GBT Group. As advised by the Company, Changchun Jincheng has a production capacity of 420,000 MT corn starch per annum and it was the main provider of the corn starch and corn steep liquor to the GBT Group before the Jincheng Completion. As further advised by the Company, as the GBT Changchun Group had not sourced corn starch and corn steep liquor from Independent Third Parties, there were no comparable transactions with Independent Third Parties. However, the Group plans to carry out the relevant transactions based on the terms offered by the Group

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to Independent Third Parties and at the prevailing market rates of corn steep liquor and corn starch powder. The Group will generally obtain one quotation from two independent suppliers on a monthly basis and adjust the selling price of corn starch to be offered to the GBT Group and other independent customers with a view to ensure the terms are comparable and the terms are no less favourable to the Company. In light of the aforesaid measure and the relevant procedures taken by the CCT Executive Committee for governing the transactions under the Upstream Products Master Sales Agreement, we consider the Company has adequate measures in place in ensuring that the transactions under the Upstream Products Master Sales Agreement to be carried out on normal commercial terms and terms no less favourable to the Company.

As regard the Proposed Caps to be sought for the Continuing Connected Transactions for the three financial years ending 31 December 2014 of HK\$127,400,000, HK\$422,800,000 and HK\$463,900,000 respectively, we have obtained from the Company a list of estimated purchase of corn starch and corn steep liquor summing roughly up to the Proposed Caps. We understand from the Directors that such list of estimate was prepared on the basis of multiplying the respective estimated price per metric tonne of the corn starch and corn steep liquor by the estimated quantity to be purchased by the GBT Group during 2012 to 2014 to compensate its expected shortfall in supply.

Taking into account that the resumption of polyol business, the planned expansion of production capacity of the polyol plant of the GBT Group and the special circumstances of the impact from the Jincheng Completion, based on the above, we consider that the bases on which the Proposed Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

On the above basis, we consider that the bases on which the Proposed Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

3. *The conditions*

As the respective Proposed Caps will exceed HK\$10 million and the relevant applicable ratios under Rule 14.07 of the Listing Rules exceed 5%, the Proposed Caps of the Continuing Connected Transactions are subject to reporting, announcement, and the requirement of seeking approval from the Independent Shareholders under the Listing Rules.

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The Company will therefore seek the approval by the Independent Shareholders of the Continuing Connected Transactions and the Proposed Caps subject to the following conditions:

1. The Continuing Connected Transactions will be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from Independent Third Parties; and
 - (iii) entered into in accordance with the terms of the relevant framework agreements and comprehensive services agreement governing the Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;
2. The transacted amount of the transactions under the Continuing Connected Transactions shall not exceed the Proposed Caps;
3. The Company will comply with all other relevant requirements under the Listing Rules.

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

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RECOMMENDATION

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

- (i) the Continuing Connected Transactions will (a) secure stable supply of corn starch at a proven quality and lower cost; (b) secure the stable revenue stream from the sale of corn sweeteners; (c) secure a stable utilities service provider without incurring additional capital expenditure on utilities facilities; and (d) generate additional revenue from sales of corn starch and corn steep liquor;
- (ii) the mechanism and measures taken/to be taken by the Group in ensuring the Continuing Connected Transactions are on normal commercial terms;
- (iii) the restriction by way of setting of the Proposed Caps; and
- (iv) the quarterly review by the CCT Executive Committee comprising mainly independent non-executive Directors on the terms of and relevant internal guidelines governing the continuing connected transactions of the Group,

we are of the opinion that the terms of the Continuing Connected Transactions, the New Master Agreements, the Upstream Product Master Sales Agreement and the Proposed Caps are on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Continuing Connected Transactions, the New Master Agreements, the Upstream Product Master Sales Agreement and the Proposed Caps.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Fionna Chau

Annie Ho

Director

Director

1. RESPONSIBILITY STATEMENT

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

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

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

Name of Director	Company/ name of associated corporation	Capacity/ Nature of interest	Number and class of securities/debentures held (Note 1)	Approximate percentage of shareholding
Kong Zhanpeng	GBT	Beneficial owner	18,256,000 ordinary shares of HK\$0.10 each (L)	0.56%
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK\$0.10 each (L) (Note 2)	7.41%
	GBT	Interest of a controlled corporation	Bonds in the principal amount of RMB1,300,000 (Note 3)	N/A
	The Company	Interest of a controlled corporation	1,984,000 shares (L) (Note 4)	0.13%
	The Company	Beneficial owner	6,000,000 shares (L) (Note 5)	0.39%

Name of Director	Company/ name of associated corporation	Capacity/ Nature of interest	Number and class of securities/debentures held (Note 1)	Approximate percentage of shareholding
Zhang Fazheng	The Company	Beneficial owner	2,000,000 shares (L) (Note 6)	0.13%
Lee Chi Yung	The Company	Beneficial owner	4,000,000 shares (L) (Note 7)	0.26%
Chan Yuk Tong	The Company	Beneficial owner	2,000,000 shares (L) (Note 8)	0.13%
Ho Lic Ki	The Company	Beneficial owner	2,000,000 shares (L) (Note 9)	0.13%

Notes:

1. The letter “L” denotes the Directors’ interests in the Shares, or as the case may be, the underlying Shares of the Company and/or its associated corporations.
2. These 241,920,000 shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.
3. These 7.0% guaranteed bonds due 2014 are held by Hartington Profits Limited.
4. These shares are held by Hartington Profits Limited.
5. These shares are underlying shares comprised in the options granted to Mr. Kong Zhanpeng pursuant to the share option scheme of the Company.
6. These shares are underlying shares comprised in the options granted to Mr. Zhang Fazheng pursuant to the share option scheme of the Company.
7. These shares are underlying shares comprised in the options granted to Mr. Lee Chi Yung pursuant to the share option scheme of the Company.
8. These shares are underlying shares comprised in the options granted to Mr. Chan Yuk Tong pursuant to the share option scheme of the Company.
9. These shares are underlying shares comprised in the options granted to Mr. Ho Lic Ki pursuant to the share option scheme of the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange (including interests and short

positions which he was taken or deemed to have under such provisions of SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Save for Mr. Kong Zhanpeng, an executive Director, by virtue of his interest in the shares of GBT, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Kong Zhanpeng, an executive Director, was interested in transactions as contemplated under the Existing Master Agreements, the New Master Agreements, the Upstream Products Master Sales Agreement and the Sales Agency Agreements (as hereinafter defined) with the Group by virtue of his interest in the shares of GBT.

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company); (a) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition and/or subscription which has been agreed or proposed since 31 December 2008, being the date to which the latest audited accounts of the Company have been made up), were as follows:

Name of Shareholder	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Global Corn Bio-chem	Beneficial owner	977,778,000 Shares of HK\$0.10 each (L)	64.01%
GBT	Interest of a controlled corporation (Note 2)	977,778,000 Shares of HK\$0.10 each (L)	64.01%
	Beneficial owner	500,000 Shares of HK\$0.10 each (L)	0.03%

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares of the Company.
2. These Shares are registered in the name of Global Corn Bio-chem, which is a wholly owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the Shares in which Global Corn Bio-chem is interested by virtue of the SFO.

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

4. SERVICE AGREEMENTS

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

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

Mr. Kong Zhanpeng, an executive Director, is interested in approximately 7.97% of the issued share capital of GBT through his interest as beneficial owner and interest in Hartington Profits Limited. The GBT Group is engaged in, among other things, the production and sale (the “Excluded Business”) of corn starch, steepwater liquid, corn oil, germ cake, corn fibre feed, corn gluten meal, corn gluten feed pellets and other co-products (“Co-Products”). Pursuant to a non-compete undertaking (“Non-compete Undertaking”) given by GBT and Global Corn Bio-chem dated 3 September 2007 in favour of the Group (as supplemented by a waiver executed by the Company to GBT and Global Corn Bio-chem dated 24 September 2008), the GBT Group is restricted from engaging in any business that may compete with the business of the Group from time to time.

The Group is principally engaged in the manufacture and sale of various corn sweeteners, which are classified into three categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup), corn syrup solid (crystallised glucose and maltodextrin) and sugar alcohol (sorbitol). The production and sale of corn starch and Co-Products are not the core business of the Group and the management team of the Group is independent from the management team of the GBT Group. The core business of the Group is not dependent or otherwise rely on the sales of corn starch and/or the Co-products, and since Mr. Kong Zhanpeng does not hold any directorship or managerial position in the GBT Group and is not involved in the management and operation of the GBT Group (including the Excluded Business), and also given the execution of the Non-compete Undertaking, the Directors consider that the Group is capable of carrying on its own business independently of, and at arm’s length from, the Excluded Business.

In order to facilitate the Group's sale of corn starch and Co-Products to its customers at arm's length from the GBT Group's Excluded Business and protect the Group from any possible direct and indirect competition from the GBT Group in respect of the Excluded Business, Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") and Changchun Jincheng, both wholly owned subsidiaries of the Company, and Global Corn Investments Limited have entered into sales agency agreements on 10 December 2010 and 17 November 2011, respectively (the "Sales Agency Agreements"). Under the Sales Agency Agreements, each of Jinzhou Yuancheng and Changchun Jincheng have appointed Global Corn Investments Limited (for itself and on behalf of the GBT Group) as its exclusive agent for the sale of the Co-products and corn starch in excess of its internal consumption from time to time produced by each of them. The term of the sales agency agreement entered into by Jinzhou Yuancheng is from 1 January 2011 to 31 December 2013 and the term of the sales agency agreement entered into by Changchun Jincheng is from 17 November 2011 to 31 December 2013. Under the Sales Agency Agreements, the GBT Group would use its best endeavours to procure the sale and marketing of the Co-products and corn starch as exclusive agent of Jinzhou Yuancheng and Changchun Jincheng, and would sell the Co-products and corn starch produced by Jinzhou Yuancheng and Changchun Jincheng in priority to any Co-products and corn starch produced by any members of the GBT Group (other than those goods produced by Global Corn Investments Limited or any member of the GBT Group for sales in Jilin and Heilongjiang Provinces of the PRC). Jinzhou Yuancheng and Changchun Jincheng would reimburse the GBT Group's for its costs for the performance of its obligations under the Sales Agency Agreements, and there would not be any other agency fee payable to the GBT Group for the services rendered.

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

7. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Octal Capital	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders

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

As at the Latest Practicable Date, Octal Capital has no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Octal Capital does not have any interest, direct or indirect, in any assets which since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up, have been 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Existing Master Agreements, the New Master Agreements, the Upstream Products Master Sales Agreement and the Sales Agency Agreements will be available for inspection at Unit 2403, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong during normal business hours from 15 October 2012 up to and including the date of the EGM.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 2403, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary is Mr. Lee Chi Yung. Mr. Lee is the member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (e) The English text of this circular shall prevail over its Chinese text.

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 extraordinary general meeting of Global Sweeteners Holdings Limited (“**Company**”) will be held at Room 1, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 14 November 2012 to consider, if though fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** the master sales agreement in relation to the supply of corn sweeteners (“**New Corn Sweeteners Master Sales Agreement**”) dated 30 August 2012 (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and entered into between Changchun Dihao Foodstuff Development Co., Ltd. and Global Corn Bio-chem Technology Company Limited, the transactions contemplated thereby and the expected annual caps of HK\$1,275.7 million, HK\$1,580.3 million and HK\$1,738.3 million for each of the three years ending 31 December 2015, respectively, in respect of the transactions contemplated under the New Corn Sweeteners Master Sales Agreement be and are hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the New Corn Sweeteners Master Sales Agreement or the transactions contemplated thereby.”
2. **“THAT** the master supply agreement for the supply of electricity, water and steam and the provision of wastewater treatment services (“**New Utilities Master Supply Agreement**”) dated 30 August 2012 (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and entered into between Changchun Dihao Foodstuff Development Co., Ltd. and Changchun Baocheng Bio-chem Development Co., Ltd.,

* *for identification purposes only*

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the transactions contemplated thereby and the expected annual caps of HK\$255.0 million, HK\$280.7 million and HK\$309.2 million for each of the three years ending 31 December 2015, respectively, in respect of the transactions contemplated under the New Utilities Master Supply Agreement be and are hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the New Utilities Master Supply Agreement or the transactions contemplated thereby.”

3. “**THAT** the master purchase agreement in relation to the purchase of corn starch (“**New Corn Starch Master Purchase Agreement**”) dated 30 August 2012 (a copy of which has been produced to the meeting marked “C” and signed by the chairman of the meeting for the purpose of identification) and entered into between Changchun Dihao Foodstuff Development Co., Ltd. and Changchun Baocheng Bio-chem Development Co., Ltd., the transactions contemplated thereby and the expected annual caps of HK\$533.9 million, HK\$587.2 million and HK\$645.9 million for each of the three years ending 31 December 2015, respectively, in respect of the transactions contemplated under the New Corn Starch Master Purchase Agreement be and are hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the New Corn Starch Master Purchase Agreement or the transactions contemplated thereby.”
4. “**THAT** the master sales agreement in relation to the sale of corn starch and corn steep liquor (“**Upstream Products Master Sales Agreement**”) dated 30 August 2012 (a copy of which has been produced to the meeting marked “D” and signed by the chairman of the meeting for the purpose of identification) and entered into between Changchun Dihao Foodstuff Development Co., Ltd. and Changchun Baocheng Bio-chem Development Co., Ltd., the transactions contemplated thereby and the expected annual caps of HK\$127.4 million, HK\$422.8 million and HK\$463.9 million for each of the three years ending 31 December 2014, respectively, in respect of the transactions contemplated under the Upstream Products Master Sales Agreement be and are hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the Upstream Products Master Sales Agreement or the transactions contemplated thereby.”

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

Hong Kong, 15 October 2012

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Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place

of business in Hong Kong:
Unit 2403, Admiralty Centre
Tower II
18 Harcourt Road
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting above is entitled to appoint in written form one or, if he is the holder of two or more shares (“**Shares**”) of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Hong Kong branch share registrar and transfer office (“**Branch Registrar**”) of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the meeting or any adjournment thereof.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Kong Zhanpeng, Mr. Zhang Fazheng and Mr. Lee Chi Yung and three independent non-executive Directors, namely Mr. Chan Yuk Tong, Mr. Gao Yunchun and Mr. Ho Lic Ki.