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

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

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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED
大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

CONNECTED AND DISCLOSEABLE TRANSACTION

DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

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



SUCCESS

SUCCESS NEW SPRING CAPITAL LIMITED
實德新源資本有限公司

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Success New Spring Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 43 of this circular.

A notice convening the EGM to be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Tuesday, 3 July 2018 is set out on pages 50 to 51 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. at or before 10:30 a.m. on Sunday, 1 July 2018 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *for identification purposes only*

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DEFINITIONS

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

“associate(s)”	have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Contribution”	the capital contribution to be made by Dacheng Bio-tech, Dacheng Industrial and GP under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 4 May 2018 and entered into between Dacheng Bio-tech, Dacheng Industrial and GP
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Capital Contribution
“CSRC”	China Securities Regulatory Commission
“Dacheng Bio-tech”	長春大成生物科技開發有限公司 (Changchun Dacheng Bio-tech Development Co., Ltd.*), a wholly-foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Dacheng Industrial”	長春大成實業集團有限公司 (Changchun Dacheng Industrial Group Co., Ltd.*), a wholly-foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Tuesday, 3 July 2018, the notice of which is set out on pages 50 to 51 of this circular, and any adjournment thereof
“GP”	吉林省現代農業產業基金有限公司(Jilin Province Modern Agricultural Industry Fund Limited*), the general partner of PRC LLP. PRC LLP is the holder of the entire equity interest of Modern Agricultural Industry Investment Holdings Limited, which in turn is the holder of the entire equity interest of Modern Agricultural
“Group”	the Company and its subsidiaries from time to time
“GSH”	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 and a subsidiary of the Company
“Independent Board Committee”	the independent board committee of the Board comprising Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Transaction
“Independent Financial Adviser” or “Success New Spring Capital”	Success New Spring Capital Limited, licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement and the Transactions contemplated thereunder
“Independent Shareholders”	any Shareholder who is not required to abstain from voting at a general meeting, if necessary, to approve a connected transaction

DEFINITIONS

“Jiliang”	吉林吉糧資產供應鏈管理有限公司 (Jilin Jiliang Assets Supply Chain Management Co., Ltd.), a company established in the PRC which is indirectly wholly owned by Nongtou
“JV Company”	長春鴻成生物化工材料技術開發有限公司 (Changchun Hongcheng Biotechnology Development Co., Ltd.*), a limited company established in the PRC which is wholly owned by Dacheng Bio-tech as at the Latest Practicable Date
“Latest Practicable Date”	11 June 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern Agricultural”	Modern Agricultural Industry Investment Limited, a company incorporated in the British Virgin Islands which is the controlling shareholder of the Company holding 49% of the entire issued share capital and certain convertible bonds of the Company as at the Latest Practicable Date
“Nongtou”	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.), a company established in the PRC which is controlled by SASAC of Jilin Province, and is the holder of the entire equity interest of GP
“PRC”	the People’s Republic of China
“PRC LLP”	吉林省現代農業產業投資基金 (Jilin Province Modern Agricultural Industry Investment Fund*)
“SASAC of Jilin Province”	吉林省人民政府國有資產監督管理委員會 (State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin Province)

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Capital Increase Agreement
“%”	per cent.

LETTER FROM THE BOARD



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

Executive Directors:

Mr. Yuan Weisen

Mr. Zhang Zihua

Mr. Liu Shuhang

Independent non-executive Directors:

Mr. Ng Kwok Pong

Mr. Yeung Kit Lam

Ms. Chiu Lai Ling Shirley

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Unit 1104

Admiralty Centre

Tower I

18 Harcourt Road

Hong Kong

14 June 2018

To the Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

1. INTRODUCTION

As announced by the Company on 4 May 2018, the Group entered into the Capital Increase Agreement which constitutes connected and discloseable transaction of the Company.

The purpose of this circular is to provide you with information regarding the resolution to be proposed at the EGM to approve the Capital Increase Agreement and the transaction contemplated thereunder.

* *for identification purposes only*

LETTER FROM THE BOARD

2. CAPITAL INCREASE AGREEMENT

Date: 4 May 2018

Parties: (1) Dacheng Bio-tech, a wholly-owned subsidiary of the Company
(2) Dacheng Industrial, a wholly-owned subsidiary of the Company
(3) GP (or fund under its management)

As at the Latest Practicable Date, the JV Company is wholly owned by Dacheng Bio-tech with a paid up capital of RMB2,000,000. Pursuant to the Capital Increase Agreement, Dacheng Industrial and GP shall become shareholders of the JV Company. In terms of capital increase arrangement, (i) Dacheng Bio-tech shall make further contribution of RMB77,950,000 among others, the transfer of a patent of “Process for the production of enzyme* (酶製劑生產工藝流程包專有技術)”, a patent of “Anti-freeze technology (融雪劑技術)” with the aggregate estimated value of RMB25,070,000 and a parcel of land at Xinglongshan, Changchun with the estimated value of RMB21,110,000, (ii) Dacheng Industrial shall make contribution of RMB10,050,000 by way of injection of assets, including the transfer of a patent of “Integrated continuous process and device for the production of isosorbide manufacture* (連續化生產異山梨醇的方法及其所使用的裝置)” with the estimated value of RMB10,050,000 and (iii) GP shall make contribution in cash of RMB60,000,000.

The estimated value of the assets to be contributed by Dacheng Bio-tech and Dacheng Industrial are approximately RMB79,950,000 and RMB10,050,000 respectively, which are based on the appraised value of the relevant assets as at 31 December 2017 based on a valuation performed by an independent valuer; estimation by the management of the Group by income approach; and estimation by the management of the Group with reference to the recent auction price of land in Xinglongshan, Changchun. The contribution in cash of RMB60,000,000 by GP for 40% of the enlarged equity interest of the JV Company was determined by the parties with reference to the expected funding needs of the JV Company, details of which are set out in the paragraph headed “Usage of Capital Contribution” in this circular. The amount of assets contribution or monetary contribution by each of Dacheng Bio-tech, Dacheng Industrial and GP into the JV Company, is also in proportion to the respective percentage of the enlarged equity interest in the JV Company owned by each of Dacheng Bio-tech, Dacheng Industrial and GP. As such, the Directors are of the view that such capital increase arrangement under the Capital Increase Agreement is fair and reasonable and in the interest of the Company and the Independent Shareholders. Upon completion of the Capital Contribution, the JV Company shall be owned as to 53.3% by Dacheng Bio-tech, 6.7% by Dacheng Industrial and 40% by GP.

LETTER FROM THE BOARD

The contribution to be made by Dacheng Bio-tech and Dacheng Industrial shall be by way of assets. In the event the revaluated amount of such assets is below the committed amount of capital contribution, Dacheng Bio-tech or Dacheng Industrial (as the case may be) shall make up the difference in cash or in kind.

Timing of capital contribution

GP shall make its contribution according to the timing of the contribution to be made by Dacheng Bio-tech and Dacheng Industrial.

Usage of the Capital Contribution

The proceeds of the Capital Contribution shall be used for (i) acquisition of production equipment for arginine and varieties of amino acids of approximately RMB60.0 million, as well as injection of the production line for enzymes and varieties of amino acids of approximately RMB31.2 million; ii) injection of production line for 500 metric tonnes of Polyethylene Isosorbide Terephthalate (PEIT) and Poly (isosorbide carbonate) (PIC) of approximately RMB12.6 million; iii) injection of various patents for the production of isosorbide manufacture and the anti-freeze technology of approximately RMB25.1 million and (iv) a parcel of land of approximately RMB21.1 million. The total investment cost required for setting up of the production lines of the JV Company is expected to be approximately RMB150.0 million. The Group expects that the proceeds of the Capital Contribution shall be deployed for the above usage in 2018.

Management of the JV Company

The board of the JV Company shall consist of five directors, two shall be nominated by Dacheng Bio-tech, one shall be nominated by Dacheng Industrial and two shall be nominated by GP. The chairman of the board shall be nominated by Dacheng Bio-tech.

Dividends

Except as agreed by all shareholders of the JV Company, annual dividends shall be declared which shall be within the range of 10% to 40% of the distributable profits for that financial year.

LETTER FROM THE BOARD

Performance targets

The JV Company and Dacheng Bio-tech undertake that unless there is further capital injection or reorganization of the JV Company, the JV Company shall achieve the following performance targets:

- (a) within the first year after Completion, revenue from principal business shall be not less than RMB50.0 million;
- (b) between the first to the second anniversary after Completion, revenue from principal business shall be not less than RMB136.0 million and net profit shall be not less than RMB16.8 million; and
- (c) between the second to the third anniversary after Completion, revenue from principal business shall be not less than RMB240.0 million and net profit shall be not less than RMB28.0 million.

The above amount shall be determined based on the financial statements of the JV Company as audited by the Group's auditor for the relevant year, if GP disagrees with such audited financial statements, GP may separately engage a certified accountant to perform an audit on the financial statements of the JV Company for the relevant year. In the event any of the above performance targets cannot be achieved, GP shall have the right to request Dacheng Bio-tech to compensate GP at the rate of 8% per annum of the Capital Contribution made by GP, in the form of cash as soon as possible.

The compensation rate of 8% per annum was determined after arm's length negotiation among the parties with reference to (i) the interest rates of interest-bearing bank borrowings and other borrowings of the Group, which ranged from 3.9% to 8.9% per annum during the two years ended 31 December 2017; and (ii) an short-term loan of the Group from a non-commercial bank in Changchun in 2017 with an interest rate of 15% per annum. In view of the above, the Board is of the view that the terms of the compensation rate of 8% per annum is fair and reasonable.

Proposed separate listing

The JV Company and Dacheng Bio-tech undertake that the JV Company shall apply to CSRC for listing within five years from the date on which the Completion, or such other time as agreed by Dacheng Industrial and GP.

LETTER FROM THE BOARD

In the event the above proposed separate listing cannot be achieved, GP may request Dacheng Bio-tech or Dacheng Industrial to acquire GP's interest in the JV Company on and subject to such terms as shall be agreed between the parties. GP's right to request Dacheng Bio-tech or Dacheng Industrial to acquire GP's interest in the JV Company, is subject to (i) the failure of the proposed separate listing of the JV Company pursuant to the Capital Increase Agreement; (ii) agreement on terms of acquisition of GP's interest in the JV Company between GP, Dacheng Bio-tech and Dacheng Industrial; and (iii) the approval of the Independent Shareholders of the Company on such acquisition. As such, such right of GP to request Dacheng Bio-tech or Dacheng Industrial to acquire GP's interest in the JV Company are merely terms of the Capital Increase Agreement detailing the intention between the parties, and do not constitute a grant of an option to GP by the Group under Chapters 14 and 14A of the Listing Rules. If any agreement on terms of acquisition of GP's interest in the JV Company between GP, Dacheng Bio-tech and Dacheng Industrial are subsequently reached pursuant to the Capital Increase Agreement, the Company will comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules. In addition, the parties agreed that save for the transfer to peer competitors which needs unanimous approval by the shareholders of the JV Company, GP shall also have the right to transfer its interest in the JV Company to any third party.

Restriction on transfer and pre-emptive rights

Save with the written consent of all shareholders, Dacheng Bio-tech and Dacheng Industrial shall not transfer or encumber any of their interest in the JV Company to any third party.

All shareholders shall have pre-emptive rights to participate on a pro-rata basis in any further capital increase of the JV Company.

Tag-along right

If Dacheng Bio-tech transfers its interest in the JV Company, GP shall have the right to request Dacheng Bio-tech to procure the sale of the interest of GP in the JV Company to the same transferee at the same price and terms.

Non-competition undertakings

Dacheng Bio-tech shall procure the existing directors, supervisors, senior management and core technical and marketing staff to sign a non-competition undertaking in favour of the JV Company, and shall be jointly liable if there is any breach of the non-competition undertaking which results in any loss or damage to the JV Company, Dacheng Industrial or GP.

LETTER FROM THE BOARD

Conditions precedent for the obligations of the Parties

The Capital Increase Agreement shall only become effective upon the approval by the Independent Shareholders at the EGM. The Capital Increase Agreement shall terminate if such Independent Shareholders' approval cannot be obtained at the EGM.

The obligations of Dacheng Industrial and GP to make the Capital Contribution are conditional upon the satisfaction (or waiver by all parties or by Dacheng Industrial and GP in writing) of the following conditions:

- (1) the board and shareholders of the JV Company having approved the Capital Contribution;
- (2) the articles of the JV Company having been revised to the satisfaction of Dacheng Industrial and GP;
- (3) Dacheng Industrial and GP being satisfied with the results of the due diligence review of the JV Company;
- (4) Dacheng Industrial and GP having received the audited reports of the JV Company for the years from 2015 to 2017;
- (5) the JV Company having prepared the profit forecast for years 2018 to 2020 conforming with the investment policy of Dacheng Industrial and GP;
- (6) there shall not be any material adverse change to the operation and financial conditions of the JV Company;
- (7) Dacheng Bio-tech not having transfer any of its interest in the JV Company or encumber any of its interest;
- (8) the warranties under the Capital Increase Agreement being true and accurate and not misleading in any material respects; and
- (9) Dacheng Bio-tech having obtained verbal consent from its lending banks for the Capital Contribution.

If any of the conditions set out above is not fulfilled or waived, then any of Dacheng Industrial and GP shall have the right not to make the Capital Contribution and terminate the Capital Increase Agreement unilaterally.

LETTER FROM THE BOARD

3. INFORMATION ON THE JV COMPANY

The JV Company was established on 2 February 2004 in the PRC with a registered capital of RMB10.0 million. As at the Latest Practicable Date, RMB2.0 million of the registered capital has been paid-up. The JV Company is wholly owned by Dacheng Bio-tech.

Based on the audited account of the JV Company for the year ended 31 December 2017, the profit before and after tax for the year ended 31 December 2017 were approximately RMB2,062,000 and RMB2,064,000 (for the year ended 31 December 2016: loss before and after tax RMB169,000 and RMB169,000) respectively. Based on the audited account of the JV Company for the year ended 31 December 2017, the net asset value of the JV Company as of 31 December 2017 was approximately RMB1,736,000 (31 December 2016: net liability RMB348,000).

Following the Completion, the Group's interest in the JV Company will be diluted from 100% to 60% and the JV Company will continue be a subsidiary of the Company.

4. INFORMATION ON THE GROUP AND ON GP

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

GP is principally engaged in fund management.

5. REASONS FOR AND BENEFITS OF THE ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The JV Company is principally engaged in the biomass processing, fermentation and research and development of bio-chemical technology equipment, technology transfer, engineering consulting and technical services, pilot production, manufacturing and sales of food additives and chemicals.

The JV Company is currently engaged in the research and development of new products and applications, and the pilot production of products which have reached mature development stage and are ready to be launched to the market. These products include arginine, isosorbide and antimicrobial peptides. Arginine is a kind of amino acid that could widen and relax arteries and blood vessels, improve blood flow, help heal injuries, strengthen waste removal function of kidneys and boost immune system in human bodies; in the applications in animals, arginine improves the growth rate,

LETTER FROM THE BOARD

boosts immune system and lowers the chance of obesity of animals. Isosorbide is a bio-chemical product that could replace fossil fuel derivatives in applications such as monomers, polymers, solvents and functional materials. Antimicrobial peptides are substitutes of antibiotics in animal nutritions for the prevention of disease and boosting of immune system. These products have proven demand in their respective industries in China as well as in overseas markets. The Board considers that there are good prospects in these industries. The Transaction will raise proceeds for the further development and the construction of production facilities of these products. The total investment cost required for setting up of the production lines of the JV Company is expected to be approximately RMB150.0 million, details of which are set out in the paragraph headed “Usage of Capital Contribution” in this circular.

The terms of the Capital Increase Agreement and the amount of the Capital Contribution were arrived at after arm’s length negotiation among the parties to the Capital Increase Agreement according to the funding needs of the JV Company.

In determining whether the Transaction is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, the Directors have considered among others, (i) the unavailability of additional low-cost financing to the Group in light of its high overall liabilities and finance costs, and short term bank loans to be due during 2018 which amounted to approximately HK\$4,196.3 million; (ii) the need for external capital for the JV Company to meet its future expansion and operation requirements; and (iii) the technical nature of the business of the JV Company, which rendered the choices of (if any) other potential investors limited. The Directors also considered the influence of GP in the agricultural sector in the Jilin Province, and that the JV Company may leverage on the agricultural and financial resources of GP and may benefit from more favourable policy from local government in the future. The Transaction allows the Group to achieve the expansion of business of the JV Company at a reasonable cost of financing, and the Directors consider that the terms of the Transaction are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Upon completion of the Capital Contribution, the JV Company shall be owned as to 53.3% by Dacheng Bio-tech, 6.7% by Dacheng Industrial and 40% by GP, as 10% or more of the voting power of the JV Company will then be held by a connected person at the issuer level, the JV Company will become a connected subsidiary of the Company under Chapter 14A of the Listing Rules. Certain on-going transactions between the JV Company and the Group, such as the leasing of production facilities by the Group to the JV Company; supply of raw materials by the Group to the JV Company for downstream production; supply of products by the JV Company to the Group and the provision of utility and processing services by the Group to the

LETTER FROM THE BOARD

JV Company, will subsequently become continuing connected transactions under Chapter 14A of the Listing Rules. The Group will comply with Rule 14A.60 of the Listing Rules in respect of all continuing connected transactions between the JV Company and the Group upon completion of the Capital Contribution.

6. IMPLICATIONS UNDER THE LISTING RULES

As the Group's interest in the JV Company will be diluted from 100% to 60% immediately upon completion of the Capital Contribution, the Transaction constitutes a deemed disposal for the Company pursuant to Rule 14.29 of the Listing Rules.

As the applicable percentage ratios in respect of the Transaction exceed 5% but below 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, GP is interested in 49% of the entire issued share capital of the Company through its control in Modern Agricultural. As such, GP is a connected person of the Company. Accordingly, the Transaction therefore constitutes a connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, Nongtou is interested in the entire issued share capital of GP. Mr. Yuan Weisen, an executive Director, is the chairman of Nongtou. As such, Mr. Yuan Weisen is considered to have material interests in the Capital Increase Agreement and has abstained from voting on the Board resolutions approving the Capital Increase Agreement. Other than Mr. Yuan Weisen, no Director has a material interest in the Capital Increase Agreement.

8. EGM

The Company will convene the EGM at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Tuesday, 3 July 2018 to consider and, if thought fit, approve the Capital Increase Agreement and transaction contemplated thereunder. A notice of the EGM is set out on pages 50 to 51 of this circular.

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

LETTER FROM THE BOARD

GP and its associates, and any Shareholders who are materially interested in the transaction contemplated under the Capital Increase Agreement, are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the transaction contemplated under the Capital Increase Agreement.

To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, GP and its associates held an aggregate of 3,135,509,196 Shares, representing approximately 49% of the entire issued share capital of the Company as at the Latest Practicable Date.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 10:30 a.m. on Sunday, 1 July 2018 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

9. RECOMMENDATION

The Directors consider that the transaction contemplated under the Capital Increase Agreement are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution in the terms as set out in the notice of the EGM.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its advice to the Independent Shareholders regarding the transaction contemplated under the Capital Increase Agreement, the letter from Success New Spring Capital set out on pages 17 to 43 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the transaction contemplated under the Capital Increase Agreement 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.

Yours faithfully,

By order of the Board

Global Bio-chem Technology Group Company Limited

Yuan Weisen

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

14 June 2018

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

We refer to the circular issued by the Company to its shareholders and dated 14 June 2018 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction contemplated under the Capital Increase Agreement and is subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the Capital Increase Agreement and the transaction contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable and whether such transaction is in the interests of the Company and its Shareholders as a whole. Success New Spring 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 THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from Success New Spring Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Success New Spring Capital as set out in its letter of advice, we consider that the terms of the Capital Increase Agreement are fair and reasonable. We also consider that the transaction as contemplated under the Capital Increase Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the transaction contemplated under the Capital Increase Agreement at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Ng Kwok Pong

Yeung Kit Lam

Chiu Lai Ling Shirley

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Success New Spring Capital Limited, the Independent Financial Adviser, setting out their opinion in respect of the Transaction and for the purpose of inclusion in this circular.



SUCCESS

SUCCESS NEW SPRING CAPITAL LIMITED
實德新源資本有限公司

Unit 2108, China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central, Hong Kong

14 June 2018

To the Independent Board Committee and the Independent Shareholders of Global Bio-chem Technology Group Company Limited

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect of the Capital Increase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 14 June 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 4 May 2018 in relation to, among other things, the Capital Increase Agreement and the Transaction. On 4 May 2018, Dacheng Bio-tech, Dacheng Industrial and GP entered into the Capital Increase Agreement pursuant to which Dacheng Industrial and GP shall become shareholders of the JV Company. Upon Completion, the JV Company shall be owned as to 53.3% by Dacheng Bio-tech, 6.7% by Dacheng Industrial and 40% by GP.

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As the Group's interest in the JV Company will be diluted from 100% to 60% immediately upon Completion, the Transaction constitutes a deemed disposal for the Company pursuant to Rule 14.29 of the Listing Rules. As the applicable percentage ratios in respect of the Transaction exceed 5% but below 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, GP is interested in 49% of the entire issued share capital of the Company through its control in Modern Agricultural. As such, GP is a connected person of the Company. Accordingly, the Transaction therefore constitutes a connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Under Chapter 14A of the Listing Rules, the transaction contemplated thereunder the Capital Increase Agreement constitutes a connected transaction of the Company. Since the applicable percentage ratios in respect of the Transaction exceed 5% but below 25% of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10.0 million each, the connected transactions under the Capital Increase Agreement therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A.76 of the Listing Rules.

The Independent Board Committee, comprising Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley, being all the independent non-executive Directors has been formed to give recommendation to the Independent Shareholders in respect of (i) the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole; and (iii) the relevant voting action that should be taken by the Independent Shareholders at the EGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

In this connection, we, Success New Spring Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the continuing connected transactions as disclosed in the circular of the Company dated 14 June 2017. As Nongtou has material interest in the aforesaid continuing connected

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transactions, Nongtou and its associates were not considered as independent shareholders of the Company and hence they were not parties who we acted as the independent financial adviser to give advice in our previous engagement.

Apart from normal professional fees for our services to the Company in connection with the engagement described above as well as this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees and benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, as at the Latest Practicable Date, there were no circumstances exist under Rule 13.84 of the Listing Rules that could reasonably be regarded as a hindrance to our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder as detailed in the Circular.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed (i) the Capital Increase Agreement and other documents relevant to the Transaction; (ii) the published information of the Company including the annual reports/annual results for the years ended 31 December 2017 (the “**2017 Annual Report**”); (iii) the business proposal of the JV Company; (iv) information disclosed in the announcement published by the Company and the Letter from the Board in the Circular; and (v) discussed with the management of the Group. We have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Company (the “**Management**”), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true and accurate at the time when they were made and will continue to be accurate as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions.

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We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses or affairs or future prospects of the Company, the JV Company, Dacheng Bio-tech, Dacheng Industrial, GP and their respective associates nor we have carried out independent verification on the information supplied. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. The Independent Shareholders will be notified of any material changes to such information provided and our opinion as soon as possible during the period after the Latest Practicable Date and up to and including the date of the EGM. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Capital Increase Agreement and the Transaction, we have taken into account the following principal factors and reasons.

1. The Capital Increase Agreement

Principal terms of the Capital Increase Agreement

Pursuant to the Capital Increase Agreement, Dacheng Industrial and GP will become shareholders of the JV Company. Dacheng Bio-tech will make further contribution of RMB77,950,000, Dacheng Industrial will make contribution of RMB10,050,000 and GP will make contribution in cash of RMB60,000,000. Upon Completion, the JV Company will be 60% owned by the Group as to 53.3% held by Dacheng Bio-tech and 6.7% held by Dacheng Industrial, the remaining 40% will be owned by GP. The contribution to be made by Dacheng Bio-tech and Dacheng Industrial will be by way of assets. In the event the revaluated amount of such assets is below the committed amount of the Capital Contribution, Dacheng Bio-tech or Dacheng Industrial (as the case may be) will make up the difference in cash or in kind.

The terms of the Capital Increase Agreement and the amount of the Capital Contribution was arrived at after arm's length negotiation among the parties to the Capital Increase Agreement according to the funding needs of the JV Company, with references to the total investment cost required and capital expenditures for setting up the production lines according to the business proposal of the JV Company.

We have discussed with the Management on the basis and assumptions in arriving at the amount of the Capital Contribution which is derived from the JV Company's expected total investment cost. As advised by the Directors, the total investment cost is based on the required amount of capital expenditure for the operation of the JV Company after Completion which is expected to be approximately RMB150.0

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million, which was taking into account of the capital requirements of (i) setting up of the production facilities of each of the production lines; (ii) the relevant patents and technologies required in production; and (iii) the site and land requirements according to the business proposal of the JV Company prepared by the management of the JV Company (the “**JV Business Proposal**”). For details of which, please refer to the paragraph headed “Total investment cost and capital expenditures” in this letter. Furthermore, we note that the percentage equity interest of Dacheng Bio-tech, Dacheng Industrial and GP were made on dollar-to-dollar basis to their respective Capital Contribution to the JV Company, given that the Capital Contribution to be contributed by Dacheng Bio-tech and Dacheng Industrial can fully utilise the existing and idled resources of the Group, and which is the best terms that the parties concluded during the negotiation process. Taking into consideration of the business, prospects and financial position of the JV Company and the Capital Contribution basis as above, the Directors are of the view, and we concur, that the amount of the Capital Contribution and the way of contributing such Capital Contribution are on normal commercial terms and fair and reasonable.

The other terms of the Capital Increase Agreement are as follows:

(i) *Timing of Capital Contribution*

GP will make its contribution according to the timing of the contribution to be made by Dacheng Bio-tech and Dacheng Industrial.

(ii) *Usage of the Capital Contribution*

The proceeds of the Capital Contribution will be used for (i) acquisition of production equipment for arginine and varieties of amino acids of approximately RMB60.0 million, as well as injection of the production line for enzymes and varieties of amino acids of approximately RMB31.2 million; (ii) injection of production line for 500 metric tonnes (“**MT**”) of Polyethylene Isosorbide Terephthalate (PEIT) and Poly (isosorbide carbonate) (PIC) of approximately RMB12.6 million; (iii) injection of various patents for the production of isosorbide manufacture and the anti-freeze technology of approximately RMB25.1 million and (iv) a parcel of land of approximately RMB21.1 million. The total investment cost required for setting up of the production lines of the JV Company is expected to be approximately RMB150.0 million. The Group expects that the proceeds of the Capital Contribution shall be deployed for the above usage in 2018. For details of allocation and timing, please refer to the paragraph headed “Total investment cost and capital expenditure” in this letter.

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(iii) Management of the JV Company

The board of the JV Company will consist of five directors, two will be nominated by Dacheng Bio-tech, one will be nominated by Dacheng Industrial and two will be nominated by GP. The chairman of the board will be nominated by Dacheng Bio-tech. We note that the number of directors of the JV Company to be nominated by Dacheng Bio-tech, Dacheng Industrial and GP will reflect the respective percentage of equity interests of the Dacheng Bio-tech, Dacheng Industrial and GP in the JV Company, thus, the Company will remain in control of the board and management of the JV Company. We consider that such arrangement is in the interest of the Company and the Shareholders.

(iv) Performance targets

The JV Company and Dacheng Bio-tech undertake that unless there is further capital injection or reorganization of the JV Company, the JV Company shall achieve the following performance targets:

- (a) within the first year after Completion, revenue from principal business shall be not less than RMB50.0 million;
- (b) between the first to the second anniversary after Completion, revenue from principal business shall be not less than RMB136.0 million and net profit shall be not less than RMB16.8 million; and
- (c) between the second to the third anniversary after Completion, revenue from principal business shall be not less than RMB240.0 million and net profit shall be not less than RMB28.0 million.

The above amount shall be determined based on the financial statements of the JV Company as audited by the Group's auditor for the relevant year, if GP disagrees with such audited financial statements, GP may separately engage a certified accountant to perform an audit on the financial statements of the JV Company for the relevant year. In the event any of the above performance targets cannot be achieved, GP shall have the right to request Dacheng Bio-tech to compensate GP at the rate of 8% per annum of the Capital Contribution made by GP, in the form of cash as soon as possible.

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According to the Letter from the Board, the compensation rate of 8% per annum of the Capital Contribution made by GP were determined after arm's length negotiation among the parties with reference to (i) the Group's interest rates of other short term interest-bearing bank and other borrowings as at 31 December 2016 and 2017 which ranged from 3.9% to 8.9%; and (ii) a short-term loan from a non-commercial bank in Changchun in 2017 with an annual interest rate of 15%. We are advised by the Management that such short-term loan was drawn down and repaid during the year ended 31 December 2017, therefore, the interest rate of 15% did not fall within the interest rate ranges of 3.9% to 8.0% as at 31 December 2017 as disclosed in the 2017 Annual Report. We are advised that such short-term loan was secured by the corporate guarantee provided by Nongtou, the controlling shareholder of the Company and the term of borrowing was relatively short period of less than three months. In light of this, the Directors believe that such short term loan would not be an appropriate reference in determining the compensation rate and the Directors expect that if it is used on a long term basis, such loan would charge an even higher interest rate. As advised by the Management, the compensation of 8% per annum of the Capital Contribution made by GP shall be set off by any dividend distributed to GP in respect to its relevant shareholdings for the relevant year and such compensation will be financed by the Group's internal resources.

We have discussed with the Directors the bases and assumptions in determining the performance targets and the compensation. As part of our analysis, we have identified transactions involving terms of that in any forms of compensation and/or guarantee on top of the amount contributed by the investor to the joint venture company and/or investment. To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of five transactions which met the said criteria from 1 May 2016 up to the Latest Practicable Date announced by companies listed on the Stock Exchange (the "**JV Comparables**") for comparison purpose. It should be noted that all the subject companies involved in the JV Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. The circumstances leading to the subject companies to proceed with the formation of joint venture and/or capital injection to joint venture may also be different from that of the Company. It should also be noted that the JV Comparables may not constitute a connected transaction. However, we consider that a sampling period of approximately 25 months is adequate and appropriate given that (i) such period is sufficiently

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recent to demonstrate the prevailing market practices prior to and including the date of the Capital Increase Agreement; and (ii) we were able to identify sufficient samples for comparison with such period. As such, we consider that the JV Comparables provide general reference of the recent common market practice of Hong Kong listed companies in transactions involving terms of that in any forms of compensation and/or guarantee on top of the amount contributed by the investor to the joint venture company and/or investment in the market for their further information to make decision with respect to the Transaction. In addition, Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company are not the same as the listed companies which make the JV Comparables, therefore the basis of the compensation among the JV Comparables may be different from the performance targets and/or compensation rate of the Transaction. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the companies but it shall not affect our analysis as we are comparing the general term of compensation and/or guarantee not the rate of compensation under the formation of joint venture and/or investment in the market. Set out below is the details of the JV Comparables:

Company	Date of announcement	Transaction type	Relevant terms in compensation and/or guarantee
Chinlink International Holdings Limited (Stock code: 997)	17 May 2018	Discloseable transaction in relation to the capital injection	— if the profit distribution of the year is less than that return of 5% per annum of its capital injection, the shareholder of joint venture company shall further compensate the difference in the form to be agreed between the parties. For details of which, please refer to the relevant announcement dated 17 May 2018.

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Company	Date of announcement	Transaction type	Relevant terms in compensation and/or guarantee
BBMG Corporation (Stock code: 2009)	7 February 2018	Discloseable transaction in relation to establishment of a joint venture company	— if the accumulated actual net profits of the businesses for a relevant period fall short of the accumulated guaranteed net profits for the relevant period, the company shall compensate the investor in respect of such shortfall by way of cash. For details of which, please refer to the relevant announcement dated 7 February 2018.
Sinolink Worldwide Holdings Limited (Stock code: 1168)	8 December 2017	Discloseable transaction in relation to formation of joint venture	— the investor to joint venture shall have the right to compensate to the amount equivalent to a yield of a simple interest of five per-cent (5%) per annum to such amount pursuant to the relevant terms of redemption of redeemable preference shares, liquidation preference and call options. For details of which, please refer to the relevant announcement dated 8 December 2017.
China International Marine Containers (Group) Co., Ltd. (Stock code: 2039)	28 December 2016	Discloseable transactions (1) entering into the cooperation agreement and provision of indemnities; and (2) entering into the capital increase agreement and deemed disposal	— the expected return of 4.994% per annum to be received by an investor to joint venture company over the investment term in the joint venture following the date of the capital increase agreement. For details of which, please refer to the relevant announcement dated 28 December 2016.

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Company	Date of announcement	Transaction type	Relevant terms in compensation and/or guarantee
Noble Century Investment Holdings Limited (stock code: 2322)	12 September 2016	Discloseable transaction in relation to capital increase agreement	— in the event that the actual profit of the joint venture company for any guaranteed period is less than the relevant guaranteed profit, the guarantor shall pay the amount equal to such shortfall to the investor to the joint venture company. For details of which, please refer to the relevant announcement dated 12 September 2016.

Source: Announcements in relation to the JV Comparables are sourced from the website of the Stock Exchange

In view of the above, we consider that it is common market practice to require different forms of compensation and/or guarantee on top of the amount contributed by the investor to the joint venture company and/or investment. We noted that three out of five JV Comparables compensate the other parties with the amount of shortfall comparing to the guaranteed profit, while two out of five JV Comparables compensate the other parties with compensation rates. Therefore, we consider that both compensation arrangements are in line with market practice. We are of the view that the terms of the performance targets and the compensation arrangement are normal commercial term and in line with the market practice under the Capital Contribution.

In determining whether the compensation rate of 8% per annum are on normal commercial terms, we note that the compensation rate of 8% per annum of the Capital Contribution made by GP which was set with reference to the interest rate of interest-bearing bank and other borrowings obtained by the Group to finance its operation. We have compared the compensation rate of 8% per annum stated in the Capital Increase Agreement with the interest rates of other interest-bearing bank and other borrowings obtained by the Group, as extracted from the 2017 Annual Report, such interest rates were ranging from (i) 3.9% to 8.0% as at 31 December 2017; and (ii) 3.9% to 8.9% as at 31 December 2016, and the average interest rate of the Group was at approximately 5.0% per annum as at 31 December 2017 and approximately 4.9% per annum as at 31

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December 2016. The compensation rate of 8% per annum is equivalent to the upper range of the Group's interest rates in 2017, and the Directors consider that it is in line with the Group's past interest rates. In addition, we are advised by the Management that the acquisition of additional debt financing on top of the existing borrowing level will require the Group to either pledge its assets or accept a higher interest rate. For instance, the Company has been granted a short-term loan from a non-commercial bank in Changchun in 2017 with an annual interest rate of 15%. We are advised by the Directors that the Group is relatively difficult to secure debt financing through bank borrowings in low interest rate debt from the banks. In addition, the Directors consider that debt financing through bank borrowings, if any, would result in substantial interest expenses being incurred and hence, impose additional financial burden to the Group's future cash flows. As advised by the Directors, to procure GP for the Capital Contribution is the only available financing option at a reasonable cost and the compensation rate of 8% per annum falls within the range of the Group's interest rates in 2017, therefore it is a favourable option available to the Company. We are advised by the Management that, the performance targets are arrived at through arm's length negotiation among the parties. It is expected that the JV Company would be able to meet the performance targets disclosed in the Letter from the Board given the prospect and outlook of the new products to be launched by the JV Company according to the JV Business Proposal. In view of the above, we concur with the Directors that the terms of performance target (including the compensation rate of 8% per annum) are fair and reasonable and in the interests of the Company and the Independent Shareholders.

(v) *Proposed separate listing*

The JV Company and Dacheng Bio-tech undertake that the JV Company shall apply to CSRC for listing within five years from the date on which the Completion, or such other time as agreed by Dacheng Industrial and GP.

In the event the above proposed separate listing cannot be achieved, GP may request Dacheng Bio-tech or Dacheng Industrial to acquire GP's interest in the JV Company on and subject to such terms as shall be agreed between the parties. GP's right to request Dacheng Bio-tech or Dacheng Industrial to acquire GP's interest in the JV Company, is subject to (i) the failure of the proposed separate listing of the JV Company pursuant to the Capital Increase Agreement; (ii) agreement on terms of acquisition of GP's interest in the JV Company between GP, Dacheng Bio-tech and Dacheng Industrial; and (iii) the approval of the Independent Shareholders of the Company on such acquisition.

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As such, such right of GP to request Dacheng Bio-tech or Dacheng Industrial to acquire GP's interest in the JV Company are merely terms of the Capital Increase Agreement detailing the intention between the parties, and do not constitute a grant of an option to GP by the Group under Chapters 14 and 14A of the Listing Rules. If any agreement on terms of acquisition of GP's interest in the JV Company between GP, Dacheng Bio-tech and Dacheng Industrial are subsequently reached pursuant to the Capital Increase Agreement, the Company will comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules. In addition, the parties agreed that save for the transfer to peer competitors which needs unanimous approval by the shareholders of the JV Company, GP shall also have the right to transfer its interest in the JV Company to any third party. We note that the arrangement provides the minority shareholder to have the right to sell the shares or exit from the JV Company without restriction, which is commercially justifiable.

(vii) Restriction on transfer and pre-emptive rights

Save with the written consent of all shareholders of the JV Company, Dacheng Bio-tech and Dacheng Industrial shall not transfer or encumber any of their interest in the JV Company to any third party. We note that the arrangement is to protect the minority shareholder, as the GP will own 40% equity interest of the JV Company and has no control on the board nor the management of the JV Company, we are of the view that the restriction on transfer on Dacheng Bio-tech and Dacheng Industrial is reasonable and commercially justifiable.

All shareholders shall have pre-emptive rights to participate on a pro-rata basis in any further capital increase of the JV Company, which is considered reasonable.

(viii) Tag-along right

If Dacheng Bio-tech intends to dispose its interest in the JV Company, GP shall have the right to request Dacheng Bio-tech to procure the sale of the interest of GP in the JV Company to the same transferee at the same price and terms.

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We note that this contractual obligation could be used to protect the minority shareholders which effectively oblige the majority shareholders to include the holdings of the minority shareholders in the negotiations in order to sell the shares. We are of the view that the terms of tag along right are fair and reasonable.

(ix) *Non-competition undertakings*

Dacheng Bio-tech shall procure the existing directors, supervisors, senior management and core technical and marketing staff to sign a non-competition undertaking in favour of the JV Company, and shall be jointly liable if there is any breach of the non-competition undertaking which results in any loss or damage to the JV Company, Dacheng Industrial or GP.

We have discussed with the Directors and note that there is a clear delineation in the business activities of the Group and that of the JV Company in terms of their respective products and their specifications, target customers and technology. The Directors consider that the Group and the JV Company operate in different segments along the value chain and compete in separate markets. It is also the Group's intention and strategy to focus on conducting business in these relatively more mature markets. As such, the terms of non-competition undertakings would not jeopardise the future business development of each of the Group and the JV Company and would be commercially justifiable. We are of the view that the terms of non-competition undertakings are fair and reasonable.

Further details of the Capital Increase Agreement are set out under the section headed "The Capital Increase Agreement" in the Letter from the Board.

Having considered the abovementioned, we are of the view that the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2. Background of the Transaction

Background of the Group

The Group, headquartered in the PRC, is principally engaged in the manufacture and sale of corn refined products and corn based bio-chemical products, of which the upstream corn refinery segment serves as a feedstock which break down the corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of bio-chemical and/or chemical processes into a wide range of high value-added downstream products.

As disclosed in the 2017 Annual Report, in an official government document “Opinion on the implementation of the establishment of subsidy programme to corn producers” (關於建立玉米生產者補貼制度的實施意見) dated 19 June 2016, the State Council of the PRC confirmed the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of direct subsidy programme in these provinces in 2016/2017 corn harvest season. As a result, corn price in China was able to be determined by market mechanisms. In addition, certain provincial governments in northeast China introduced direct subsidies to corn refiners which purchase local corn during the harvest months of 2016. During 2017, the Group was entitled to HK\$142.4 million of subsidies for the purchase of corn kernels – the added cost advantage has contributed to the turnaround of the Group’s upstream business for 2017. However, the improved operating environment has attracted a number of suspended capacities to resume operation, which put pressure on the upstream market. On the other hand, with the expiry of the corn subsidies by the provincial governments in northeast China since May 2017, the cost of production has been driven up. As a result, the Group’s upstream business for the second half of 2017 was put under pressure.

According to the 2017 Annual Report, the operating environment for the Group’s polyol chemical business continued to be challenging during the year of 2017. The high corn price in the past years has lowered the competitiveness of corn based polyols as compared to traditional petroleum based polyols. The Group’s research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to changing market needs. According to the 2017 Annual Report, due to the low utilisation rate of the Xinglongshan site and high debt level of the Group, the Group recorded a net loss of approximately HK\$890.3 million for the year ended 31 December 2017 and approximately HK\$1,912.3 million for the year ended 31 December 2016. As at 31 December 2017, the Group’s pledged deposits was approximately HK\$406.2

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million and the cash and bank balances was approximately HK\$304.4 million; while the Group has total interest-bearing bank and other borrowing of approximately HK\$8,417.6 million, of which the short term bank loans repayable by 2018 was amounted to approximately HK\$4,196.3 million. In addition, we note that the Group has recorded net liabilities of approximately HK\$2,466.5 million as at 31 December 2017, which was mainly due to the net loss for the years ended 31 December 2016 and 2017. As a result, we note that the Group has relatively high gearing ratio in term of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) of approximately 141.4% as at 31 December 2017 comparing to approximately 131.0% as at 31 December 2016. For further detail of the Group's financial performance, please refer to the 2017 Annual Report.

Information on GP

GP, Jilin Province Modern Agricultural Industry Fund Limited* (吉林省現代農業產業基金有限公司), is the sole general partner of PRC LLP. The entire issued capital of Modern Agricultural is held by Modern Agricultural Industry Investment Holdings Limited which is in turn wholly owned by PRC LLP. As at the Latest Practicable Date, GP is interested in 49% of the entire issued share capital of the Company through its control in Modern Agricultural. GP is principally engaged in fund management.

Information on the JV Company

The JV Company was established on 2 February 2004 in the PRC with a registered capital of RMB10.0 million. As at the Latest Practicable Date, the JV Company has been paid-up RMB2.0 million of the registered capital. The JV Company is wholly owned by Dacheng Bio-tech. The JV Company is principally engaged in the biomass processing, fermentation and research and development of bio-chemical technology equipment, technology transfer, engineering consulting and technical services, pilot production, manufacturing and sales of food additives and chemicals.

According to the Letter from the Board, the JV Company is currently engaged in the research and development of new products and applications, and the pilot production of products which have reached mature development stage and are ready to be launched to the market. As advised by the Management, the JV Company will focus on the production of its existing product enzymes and new products such as

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arginine and isosorbide in the preliminary development stage of the JV Company. As advised by the Management, the revenue of the JV Company is primarily contributed by the sales of industrial use enzymes, for both internal and external customers as raw materials for upstream and downstream bio-chemical production. Based on the JV Business Proposal, the production of the JV Company is mainly through the methodologies of (i) the patent of “Process for the production of enzyme* (酶製劑生產工藝流程包專有技術)” (the “**Patent I**”); (ii) the patent of “Integrated continuous process and device for the production of isosorbide manufacture (連續化生產異山梨醇的方法及其所使用的裝置)” (the “**Patent II**”); and (iii) the patent of “Anti-freeze technology (融雪劑技術)” (the “**Patent III**”).

In the production of enzymes, through the Patent I, which is the patent for process for the production of enzyme for industrial purposes including (i) fermentation processes which requires the use of enzymes to produce the desired compounds; and (ii) the production of starch and sweeteners. By using the methodology of Patent I “Process for the production of enzyme”, the production capacity of enzymes can be expanded exponentially to 5,000 MT per year in 2020. The sales amount of enzymes is estimated to reach approximately RMB29.9 million in 2018.

As for arginine, it is a kind of amino acid that could widen and relax arteries and blood vessels, improve blood flow, help heal injuries, strengthen waste removal function of kidneys and boost immune system in human bodies. In the applications in animals, arginine improves the growth rate, boosts immune system and lowers the chance of obesity of animals. As advised by the Management, according the JV Business Proposal, the production line of arginine is expected to be in full operation by 2019, and the sales amount of arginine is expected to reach approximately RMB48.0 million in 2019. As advised by the Management, arginine is different from lysine, a major product of the Group, both have completely different functions but are complementary to each other, however, the Group currently does not have the relevant arginine production facilities. Therefore, the Directors consider that the production of arginine by the JV Company, the JV Company and the Group will benefit each other through sharing of sales channels and market information and the Group can enter into the arginine market via the JV Company.

Furthermore, as advised by the Management, the methodology of Patent II of “Integrated continuous process and device for the production of isosorbide manufacture” will be used in the production of isosorbide which can lower the cost by replacing the traditional methodology of Bisphenol A (BPA) in Polyethylene Terephthalate (PET) and Polycarbonate (PC) applications. As the increasing environmental concern from the PRC government has limited the use of BPA which

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usually incurs heavy pollution during production, therefore, the Directors consider that the methodology of Patent II will give room for the market development of isosorbide and benefit to the development and sales of the JV Company. For the application of isosorbide, it has wide applications in a number of household items such as baby bottles, reusable water bottles and other storage containers; thermoforming and production of fibre glass which are widely used in automobile and construction industries as well as production of spectacles. According to the JV Business Proposal, the sales amount of isosorbide is estimated to reach approximately RMB8.0 million in 2018.

Patent III will be used in the production of anti-freeze. According to the 2017 Annual Report, the Group's polyol production has been suspended since 2014. As advised by the Management, part of the Capital Contribution by Dacheng Bio-tech will be contributed by Patent III. The Directors consider that such arrangement could minimise the cash contribution as well as fully utilise and revive the idle polyol production facilities of the Group.

As extracted from the audited accounts of the JV Company, the following table summarises the financial information of the JV Company for the three years ended 31 December 2015, 2016 and 2017:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Revenue	—	907,873	1,393,460
Other gains	100,000	9,095	2,817,754
Profit/(loss) before tax	59,544	(169,000)	2,062,000
Profit/(loss) after tax	59,550	(169,000)	2,064,000

Based on the audited account of the JV Company for the year ended 31 December 2017, the JV Company has net asset value at approximately RMB1,736,000 as at 31 December 2017 and net liabilities at approximately RMB362,876 and RMB348,000 as at 31 December 2015 and 2016, respectively.

Following the Completion, the Group's interest in the JV Company will be diluted from 100% to 60% and the JV Company will continue be a subsidiary of the Company.

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JV Business Proposal

The JV Company mainly involves the research and development of new products and applications, and the pilot production of products which have reached mature development stage and are ready to be launched to the market. The JV Business Proposal is large in terms of capital requirements at production in 2018. According to the JV Business Proposal prepared by the management of the JV Company, part of the Capital Contribution shall be contributed by way of assets, apart from a parcel of land at Xinglongshan in Changchun that will be contributed into the JV Company, Dacheng Bio-tech will contribute two operating production lines which include production lines of (i) enzymes and varieties of amino acids; and (ii) 500 MT of Polyethylene Isosorbide Terephthalate (PEIT) and Poly (isosorbide carbonate) (PIC). Furthermore, the JV Company will use the GP's cash contribution to invest a new production line for 2,000 MT of arginine and varieties of amino acids. Other than tangible assets as aforementioned, Dacheng Bio-tech will further contribute intangible assets such as Patent I, Patent II and Patent III.

Total investment cost and capital expenditures

Based on the JV Business Proposal, the total investment cost required for setting up of the production lines of the JV Company is expected to be approximately RMB150.0 million in 2018. Summary of the expected total investment cost according to the JV Business Proposal is set out as below:

Projects	Expected total investment cost	2018	
		Contributed by the Company by way of asset	Contributed by GP by way of cash
1. Production line for 2,000 MT arginine and varieties of amino acids	RMB60,000,000	—	RMB28,250,000 for the establishment of factory — RMB31,750,000 for equipment

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Projects	Expected total investment cost	2018	
		Contributed by the Company by way of asset	Contributed by GP by way of cash
2. Production line for enzymes and varieties of amino acids (including the Fixed Assets (as defined below) and Patent I)	RMB31,270,000	— RMB18,610,000 for the Fixed Assets — RMB2,590,000 for installation cost — RMB10,070,000 for Patent I	
3. Patent III	RMB15,000,000	— RMB15,000,000	
4. Production line for 500 MT of (polyol) PEIT and PIC	RMB12,580,000	— RMB12,580,000	
5. Patent II	RMB10,050,000	— RMB10,050,000	
6. A parcel of land (Xinglongshan Land)	RMB21,100,000	— RMB21,100,000	
Total	RMB150,000,000	RMB90,000,000	RMB60,000,000

As advised by the Directors, Dacheng Bio-tech will contribute (i) a series of its pre-owned fixed assets (the “**Fixed Assets**”); (ii) the Patent I and Patent II; and (iii) a parcel of land at Xinglongshan, in Changchun (the “**Xinglongshan Land**”) as their Capital Contribution; while Dacheng Industrial will contribute the Patent II. As advised by the Management, the series of the Fixed Assets is the equipment and machineries for the production line of enzymes and varieties of amino acids and the production line for 500 MT of PEIT and PIC. The Xinglongshan Land is located at Changchun Economic and Technological Development Zone, in Changchun, Jilin Province, the PRC, with the area of approximately 51,000 square metre.

For the valuation of the Fixed Assets, Patent I and Patent II, Dacheng Bio-tech and Dacheng Industrial has appointed Beijing Hwason Concord Assets Appraisal Co., Ltd. (北京華信眾合資產評估有限公司), an independent valuer (the “**Valuer**”) to determine the appraised value of the Fixed Assets, the Patent I and Patent II as at 31 December 2017. We have reviewed the qualification and experience of the Valuer in charge of the valuation of the Fixed Assets, Patent I and Patent II. We noted that

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the Valuer is on the recognised list of valuation companies in the PRC. We have also reviewed the scope of services provided under the engagement of the Valuer by Dacheng Bio-tech and Dacheng Industrial and we note that the scope of work is appropriate to the opinion given. Thus, we consider that the Valuer is qualified and possess sufficient relevant experience in performing the valuation of the Fixed Assets, Patent I and Patent II.

As set out in the valuation report prepared by the Valuer in accordance with the Appraisal Standards of China Appraisal Society (the “**Valuation Report**”), as at 31 December 2017, the assessed value of the Fixed Assets, Patent I and Patent II were approximately RMB31.2 million, RMB10.1 million and RMB10.1 million, respectively. Based on our review of the Valuation Report, we noted that (i) the valuation of the Fixed Assets has been prepared by cost approach assuming that Dacheng Bio-tech continues to operate in the foreseeable future; and (ii) the valuations of the Patent I and Patent II has been prepared by income approach assuming those aforementioned patents continues to generate income for six years and ten years from 31 December 2017, respectively.

As advised by the Management, the management of the Dacheng Bio-tech has prepared the preliminary valuations of the Patent III and the Xinglongshan Land as at 31 December 2017. The preliminary valuation of the Patent III is approximately RMB15.0 million as at 31 December 2017 and is estimated by income approach assuming those aforementioned patents continue for twelve years. The preliminary valuation of the Xinglongshan Land is approximately RMB21.1 million as at 31 December 2017 and is estimated with reference to the recent auction price of land in the Xinglongshan area. The valuations of the Patent III and the Xinglongshan Land will be finalised and prepared by independent valuer prior to Completion. In the event the revaluated amount of such assets is below the committed amount of capital contribution, Dacheng Bio-tech or Dacheng Industrial (as the case may be) shall make up the difference in cash or in kind.

According to the Letter from the Board, the cash proceeds of the Capital Contribution of RMB60.0 million shall be used for acquisition of production equipment for arginine and varieties of amino acids in 2018 which includes (i) approximately RMB28.2 million for the construction of production facilities, research and development centre and office; and (ii) approximately RMB31.8 million for acquisition of production line including fermentation equipment and plate, air filtration system, extraction and separation system and finished and package plates. We have been provided with the expected capital expenditure on the production line for arginine and varieties of amino acids, including the list of list of equipment and facilities to be purchased.

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We have been provided with (i) the historical research and development costs in developing the Patent I, Patent II and Patent III; (ii) the historical capital expenditure in acquiring the Fixed Assets; (iii) the information about the Xinglongshan Land; and (iv) expected total investment cost of the JV Company including the capital expenditure for setting up production facilities. As advised by the Management, prior the completion of transfer of the Xinglongshan Land to the JV Company, the JV Company will use the Xinglongshan Land by leasing from the Group.

Based on the above basis, we consider that the Company's bases and assumptions in determining the JV Company's total investment cost and capital expenditure requirement are fair and reasonable.

Other regulatory admission conditions

As advised by the Management, the JV Company is required to obtain the relevant food production license, pharmaceutical production license and feed grade production license of its products. Upon completion, the JV Company will obtain and comply with the relevant permission and approval request from competent PRC administrative authorities, including but not limited to the State Food and Drug Administration and the National Food and Agricultural Office for the commencement of manufacture and sale of new bio-chemical products. The Directors expect that the JV Company will be able to obtain the relevant permission and approval. In this circumstance, the Group faces uncertainties as to the project development cycle and whether the JV Company can ultimately implement its plan to manufacture and sell bio-chemical products.

3. Reasons for and benefits of the Capital Increase Agreement

As mentioned in the 2017 Annual Report, the Company intends to expand the Group's existing investments in bio-chemical products in order to maintain the growth strategy of the Group. The Directors are of the view that, through the entering into the Capital Increase Agreement, the Group will be allowed to further expand its business portfolio and to leverage the capital and financial resources of GP and the technological know-how (established market position, expertise and experience of the Group) by the Group. As referred to the Letter from the Board, the JV Company is currently engaged in the research and development of new bio-chemical products and applications, and the pilot production of products which have reached mature development stage and are ready to be launched to the market. As shown in the 13th Five-Year Plan published by National Development and Reform Commission in 2016, the value of the bio-based material industry is expected to reach RMB800.0 million to RMB1,000.0 million in 2020, in which will account for more than 4% of the total GDP of the PRC. For instance, the domestic demand

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of arginine is estimated at 10,000 MT per year, with domestic production at 7,000 MT (some of which are exported to other countries). Currently, China is importing approximately 6,000 MT per year. The demand for arginine is estimated to grow at a rate of approximately 15% per year. Furthermore, under the segment of isosorbide, the market demand for polycarbonate (PC) in PRC is estimated at 2,300,000 MT by 2020. In addition, the increasing environmental concern from the PRC government has limited the use of BPA, which incurred heavy pollution during production. This will give room for the market development of Isosorbide. As for enzymes, the global industrial enzyme market is expected to grow at a CAGR of 5.77% from 2017 to 2022. The major products of the enzyme market include glucoamylase and amylase, in which are both the major products of the JV Company.

As disclosed in the 2017 Annual Report, the PRC government will continue to support the development of bio-chemical industry in the PRC, as demonstrated by its commitment announced in 2018 the “No.1 Document” on deepening supply side reform in agriculture, proposing to shift the focus of agricultural development from quantity-oriented to quality-oriented. Furthermore, as China has gradually raised environmental protection and emission standards of different industries, especially the heavily polluted livestock farming industry, tapping/expanding into the high value-added downstream corn-based bio-chemical products can help improve relevant technologies with respect to livestock farming. The current agricultural policy of the Central Government emphasises the supply of green and quality agricultural products, and promotes the development and environmental friendly agriculture. In views of the above, as advised by the Management, the technologies to be used and the main products to be engaged by the JV Company is in the high value-added downstream corn-based bio-chemical sector which is expected to be benefited from the favourable government policy, by the expansion of the JV Company, it could leverage its expertise in scientific research for the development of green products, and dedicate effort in the research and development of animal nutrition and health supplement related products.

Considering the corn-based bio-chemical industry, which the Group focuses on now, is a capital intensive industry and requires substantial amount of working capital for areas such as the procurement and storage cost of corn which is the major raw material of the Company. As disclosed in the 2017 Annual Report, the Group’s cash and bank balances was approximately HK\$304.4 million as at 31 December 2017 and the Group is still taking measures to tighten cost controls over production costs and expenses with the aim to attain profitable and positive cash flow operations. Taking into account (i) the Group’s overall liabilities and finance costs remained high and the short term bank loans of the Group to be due by 2018 was amounted to approximately HK\$4,196.3 million; and (ii) Nongtou, being the sole shareholder of GP and the controlling shareholder of the Company, has provided stable supply of

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corn kernels and granted longer credit terms for the Group. The Directors advised that the JV Company may be in need of external capital to meet its operation requirements in order for the JV Company to further expansion. In assessing the reasonableness and benefits of introducing GP as shareholder of the JV Company, we have requested the Company to provide us information of GP and research on GP from online sources. We noted that GP is an agricultural fund established in the PRC which aims at consolidating state-owned assets in the agricultural sector in the Jilin Province and investing in agricultural related projects. The Directors consider that, due to the technical nature of the business of the JV Company, the choices of (if any) other potential investors limited. The Directors are of the view that the JV Company would be benefited from the solid background and profound resources from GP in relation of value-added bio-chemical business, in which include but not limit to the influence of GP in the agricultural sector in the Jilin Province, extensive relationship network and favourable government policies that can be introduced to the JV Company. Furthermore, the Management is of the view that the introduction of GP as shareholder of the JV Company can maximise the potentials of the JV Company while minimising the capital outlay of the Company. All of the above will assist the Company to further develop the value-added bio-chemical business appropriately for creating strategic value and synergies to all parties. The Directors considered that the introduction of GP as one of the shareholders of the JV Company, through the Capital Contribution, will be in interest of the Group as it will allow the JV Company to leverage the agricultural and financial resources of GP in the future.

Other than the Capital Increase Agreement, we understand from the Company that certain capital raising proposals such as bank borrowings have been reviewed and assessed. It is noted that commercial banks typically consider the ability of the potential borrower to repay the loan, including its financial performance, cash inflow, size of the loan and collateral availability, when assessing whether or not to grant a loan. As extracted from the Annual Report 2017, the Group has recorded net losses for the years ended 31 December 2016 and 2017 leading to the net liabilities position of the Group as at 31 December 2016 and 2017. As a result, gearing ratio in term of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) was approximately 141.4% as at 31 December 2017 and 131.0% as at 31 December 2016. Therefore, we are advised by the Management that the Group has taking significant measures to ensure the renewal of all existing bank borrowing but it is relatively difficult to secure debt financing through bank borrowings in low interest rate debt from the banks. In addition, the Directors consider that debt financing through bank borrowings, if any, would result in substantial interest expenses being incurred and hence, impose additional financial burden to the Group's future cash flows.

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As such, the JV Company considers that it needs to expand its capital base with new funding in a timely manner for its current business opportunity and future business development. The Management is of the view that the Group could not locate alternative low-cost financing source and considering the close relationship between the Group and GP, the capital contribution from GP could leverage the synergistic effect between the Group and GP and allow the Group to gain its financial flexibilities for the JV Company's expansion at a reasonable cost of financing, is both logical and commercially justifiable.

Having considered that, despite the JV Business Proposal is general and may not contain every detail, such as the exact amount of cash flow it can obtain from and exact timetable of each phase; and the investment amount is significant to the Group and the Group will remain its control over the JV Company, the key reasons of the Transaction are as follows:

- (i) the Group can expand into the advanced corn-based bio-chemical industry through the JV Company to diversify its income stream;
- (ii) the scale of the investment amount to be contributed by each party including Dacheng Bio-tech, Dacheng Industrial and GP is equivalent to the registered capital, which is proportional to the equity interests owned by the respect parties in the JV Company, where the total amount of the Capital Contribution has made reference to the expected funding needs of the JV Company;
- (iii) the growth in the bio-chemical sector in the PRC and the development in such sector is highly encouraged by the PRC government;
- (iv) the need to increase the JV Company's capital base in order to cater for its business expansion;
- (v) the Group is relatively difficult to secure debt financing such as bank borrowings at low cost as the Group has a relatively high gearing ratio;
- (vi) the Group is prudent to impose additional financial burden to the Group's future cash flows and
- (vii) to leverage the synergistic effect between the Group and GP, which allows the Company to gain its financial flexibilities for the JV Company's capital requirement at a reasonable cost of financing,

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we are of the view that the entering into of the Capital Increase Agreement and the Transaction, is in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole.

The Independent Shareholders should also note that, while the Group aims for the JV Company to bring in investment return to the Group, the actual financial performance of the JV Company in the future is not guaranteed.

4. Possible financial effects of the Transaction

As at the Latest Practicable Date, the JV Company is indirectly wholly-owned of the Company through Dacheng Bio-tech and is accounted for an indirect subsidiary of the Company. Upon Completion, the JV Company shall be 60% owned by the Group as to 53.3% and 6.7% held by Dacheng Bio-tech and Dacheng Industrial respectively, therefore the JV Company will remain an indirect subsidiary of the Company. As such, the results of operations and financial position of the JV Company will continue to be recorded in the Group's consolidated financial statements. As the effect of the capital increase will not cause a loss of the Group's control over the JV Company, the Transaction due to the capital increase will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss.

(i) Total asset value

As confirmed by the Directors, upon Completion, it is expected that there will be an increase in the total assets and total liabilities of the Group as a result of (i) the Capital Contribution; and (ii) the consolidation of the total assets and total liabilities of the JV Company into the Group while no significant impact on the total asset value of the Group is expected.

(ii) Earnings

Upon Completion, the JV Company shall be 60% owned by the Group as to 53.3% and 6.7% held by Dacheng Bio-tech and Dacheng Industrial respectively, therefore the JV Company will remain an indirect subsidiary of the Company. As such, the results of operations and financial position of the JV Company will continue to be recorded in the Group's consolidated financial statements.

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As the effect of the Capital Contribution will not cause a loss of the Group's control over the JV Company, the Transaction due to the Capital Contribution will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss. However, in the event that the JV Company cannot achieve the performance targets, Dacheng Bio-tech shall compensate GP at the rate of 8% per annum of the Capital Contribution made by GP. As advised by the Directors, such compensation to GP will be measured at fair value at subsequent reporting periods and the change in the fair value will be recorded in the profit or loss of the Group. Save for the above, the Company advised us that there would not be any significant adverse impact on the profit or loss of the Group resulting from the Capital Contribution immediately upon Completion.

(iii) Gearing

Based on the 2017 Annual Report, gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) was 141.4% as at 31 December 2017 and 131.0% as at 31 December 2016. Since the Capital Contribution will be financed by GP's capital contribution and the Group's internal resources, there would be no material effect on the total interest-bearing debt (in which include the CBs, short term and long term bank borrowings) and the total assets of the Group as a result of the Capital Contribution and therefore, it is expected that there would not be any material adverse effect on the Group's gearing position.

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

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OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the entering into of the Capital Increase Agreement is in the ordinary and usual course of business of the Group, the Capital Contribution and the terms of the Capital Increase Agreement are fair and reasonable and the Transaction is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Capital Increase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

SUCCESS NEW SPRING CAPITAL LIMITED

Paul Lui

Managing Director

Kelly Hui

Director

Note: Mr. Paul Lui and Ms. Kelly Hui are licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 20 years and over 8 years of experience in corporate finance industry respectively.

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 chief executive	Company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities held (Note 1)	Percentage of relevant class of issued share capital of the Company/associated corporation
Kong Zhanpeng	The Company	Beneficial owner	18,256,000 Shares (L)	0.29
	The Company	Interest of a controlled corporation	241,920,000 Shares (L) (Note 2)	3.78
	GSH	Interest of a controlled corporation	1,984,000 ordinary shares of HK\$0.10 each (L) (Note 2)	0.13

Notes:

1. The letter “L” represents the chief executive’s interests in the shares and underlying shares of the Company or its associated corporation.
2. These shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.

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 associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

None of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2017, being the date to which the latest published audited consolidated 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. Yuan Weisen, an executive Director, is the chairman of Nongtou, which is the holder of the entire equity interest of GP. As such, Mr. Yuan Weisen is considered to have material interests in the Capital Increase Agreement and has abstained from voting on the Board resolutions approving the Capital Increase Agreement. Other than Mr. Yuan Weisen, no Director has a material interest in the Capital Increase Agreement.

Reference is also made to the announcement dated 15 May 2017 and the circular dated 14 June 2017 of the Company, in relation to the entering into of a master supply agreement (the “**Master Supply Agreement**”) by the Company with Jiliang for the supply of corn kernels by Jiliang to members of the Group on an ongoing basis. As Mr. Yuan Weisen is the chairman of Nongtou, he is considered to have material interests in the Master Supply Agreement.

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, were as follows:

Name of shareholder	Capacity/nature of interest	Number of Shares held <i>(Note 1)</i>	Percentage of the Company's issued share capital
Liu Xiaoming	Beneficial owner and interest of a controlled corporation <i>(Note 2)</i>	365,138,400 (L)	5.71
Personal representative of the late Mr. Xu Zhouwen	Beneficial owner and interest of a controlled corporation <i>(Note 3)</i>	322,111,600 (L)	5.03
Modern Agricultural	Beneficial owner <i>(Note 4)</i>	7,858,463,827 (L) <i>(Note 5)</i>	122.81
Modern Agricultural Industry Investment Holdings Limited	Interest of a controlled corporation <i>(Note 4)</i>	7,858,463,827 (L) <i>(Note 5)</i>	122.81
PRC LLP	Interest of a controlled corporation <i>(Note 4)</i>	7,858,463,827 (L) <i>(Note 5)</i>	122.81
GP	Interest of a controlled corporation <i>(Note 4)</i>	7,858,463,827 (L) <i>(Note 5)</i>	122.81

Name of shareholder	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Jilin Province Communication Investments Group Co., Ltd. ("Jiaotou")	Interest of a controlled corporation (Note 4)	7,858,463,827 (L) (Note 5)	122.81
Nongtou	Interest of a controlled corporation (Note 4)	7,858,463,827 (L) (Note 5)	122.81
SASAC of Jilin Province	Interest of a controlled corporation (Note 4)	7,858,463,827 (L) (Note 5)	122.81

Notes:

- The letter "L" denotes the Shareholders' long position in the Shares of the Company.
- Mr. Liu Xiaoming is deemed to be interested in 5.71% of interest in the Company through his interest in (i) 19,090,400 Shares as beneficial owner and (ii) 346,048,000 Shares as interest in controlled corporation, namely, LXM Limited.
- The personal representative of the late Mr. Xu Zhouwen is deemed to be interested in 5.03% of interest in the Company through his interest in (i) 26,655,600 Shares as beneficial owner and (ii) 295,456,000 Shares as interest in controlled corporation, namely, Crown Asia Profits Limited.
- The entire issued capital of Modern Agricultural is held by Modern Agricultural Industry Investment Holdings Limited which is in turn wholly owned by PRC LLP. The sole general partner of PRC LLP is GP. As at the Latest Practicable Date, GP is wholly owned by Nongtou and 40% of the investment capital of PRC LLP is owned by Nongtou. 20% of the investment capital of PRC LLP is owned by Jiaotou. As announced by the Company on 2 March 2017, an agreement was entered into between Jiaotou and Nongtou on 27 February 2017 for the transfer by Jiaotou to Nongtou of its investment capital in PRC LLP. During the transition period from the date of the above agreement to the completion of such transfer, Nongtou shall manage the above transferred interest on behalf of Jiaotou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of the Company. Nongtou is controlled by SASAC of Jilin Province. Each of Modern Agricultural Industry Investment Holdings Limited, PRC LLP, GP, Jiaotou, Nongtou and SASAC of Jilin Province are deemed to be interested in the interest held by Modern Agricultural.
- These interest represents 3,135,509,196 Shares and convertible bonds which may be converted into 4,722,954,631 Shares based on the initial conversion price of HK\$0.23 per Share upon full conversion.

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 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, 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 are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
Success New Spring Capital	a corporation licensed to carry on 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

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Capital Increase Agreement and the Master Supply Agreement will be available for inspection at Unit 1104, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong during normal business hours from 14 June 2018 up to and including the date of the EGM.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KYI-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 1104, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary is Mr. Chan Sing Fai. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over its Chinese text.

NOTICE OF EGM



GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Global Bio-chem Technology Group Company Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Tuesday, 3 July 2018 to consider, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the capital increase agreement (“**Capital Increase Agreement**”) (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) dated 4 May 2018 entered into between 長春大成生物科技開發有限公司 (Changchun Dacheng Bio-tech Development Co., Ltd.*) (“**Dacheng Bio-tech**”), 長春大成實業集團有限公司 (Changchun Dacheng Industrial Group Co., Ltd.*) (“**Dacheng Industrial**”) and 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Limited*) (“**GP**”) in relation to Dacheng Industrial and GP becoming shareholders of 長春鴻成生物化工材料技術開發有限公司 (Changchun Hongcheng Biotechnology Development Co., Ltd.*) (“**JV Company**”), the capital increase of the JV Company, the capital contribution to be made by Dacheng Bio-tech, Dacheng Industrial and GP and the transactions contemplated under the Capital Increase 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 Capital Increase Agreement or the transactions contemplated thereby.”

By order of the Board of

Global Bio-chem Technology Group Company Limited

Yuan Weisen

Chairman

Hong Kong, 14 June 2018

* *for identification purposes only*

NOTICE OF EGM

Registered office:

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

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

Unit 1104
Admiralty Centre
Tower I
18 Harcourt Road
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time of the meeting (i.e. at or before 10:30 a.m. on Sunday, 1 July 2018 (Hong Kong time)) or any adjournment thereof.
3. In order to qualify for the attendance at the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch registrars in Hong Kong at the address stated in note 2 above no later than 4:30 p.m. on Friday, 29 June 2018 for registration.

As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Yuan Weisen, Mr. Zhang Zihua and Mr. Liu Shuhang; and three independent non-executive Directors, namely, Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.