

# 大成糖業控股有限公司\*

## Global Sweeteners Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

### Placing and Public Offer

Sponsor



Goldbond Capital (Asia) Limited

Sole Bookrunner and Sole Global Coordinator



Goldbond Securities Limited

Joint Lead Managers



Goldbond Securities Limited



DBS Asia Capital Limited

\*For identification purposes only

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## IMPORTANT

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**IMPORTANT: If you are in any doubt** about any of the contents of this prospectus, you should obtain independent professional advice.

# GLOBAL SWEETENERS HOLDINGS LIMITED

## 大成糖業控股有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

### Placing and Public Offer

**Number of Offer Shares : 300,000,000 Shares (subject to the Over-allotment Option)**  
**Number of Public Offer Shares : 30,000,000 Shares (subject to reallocation)**  
**Number of Placing Shares : 270,000,000 Shares (subject to reallocation and the Over-allotment Option)**  
**Offer Price : Not more than HK\$2.04 per Offer Share and expected to be not less than HK\$1.57 per Offer Share plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee (payable in full on application and subject to refund)**  
**Nominal value : HK\$0.10 per Share**  
**Stock code : 3889**

#### Sponsor



### Goldbond Capital (Asia) Limited

**Sole Bookrunner and Sole Global Coordinator**



### Goldbond Securities Limited

**Joint Lead Managers**



**Goldbond Securities Limited**



**DBS Asia Capital Limited**

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The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Company and Goldbond Securities (on behalf of the Underwriters) at or before 5:00 p.m. on 14 September 2007 (Hong Kong time) or such later date or time as may be agreed by Goldbond Securities (on behalf of the Underwriters) and the Company but in any event no later than 5:00 p.m. on 17 September 2007 (Hong Kong time). The Offer Price will not be more than HK\$2.04 per Offer Share and is expected to be not less than HK\$1.57 per Offer Share. Goldbond Securities (on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications for Public Offer, then if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the final Offer Price is not agreed between the Company and Goldbond Securities (on behalf of the Underwriters) at or before 5:00 p.m. on 17 September 2007 (Hong Kong time), the Share Offer (including the Public Offer) will not become unconditional and will lapse.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.**

The obligations of the Underwriters under the Underwriting Agreement to subscribe for and to procure applicants for the subscription for the Offer Shares are subject to termination by Goldbond Securities (on behalf of the Underwriters) if certain grounds arise prior to 8:30 a.m. (Hong Kong time) on the Listing Date. Details of such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

\* for identification purposes only

10 September 2007

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## EXPECTED TIMETABLE

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2007  
(Note 1)

Application lists open (Note 2) . . . . . 11:45 a.m. on Thursday, 13 September

Latest time to:

- lodging **WHITE, YELLOW and BLUE**  
application forms . . . . . 12:00 noon on Thursday, 13 September
- giving **electronic application instructions**  
to HKSCC (Note 3) . . . . . 12:00 noon on Thursday, 13 September

Application lists close (Note 2) . . . . . 12:00 noon on Thursday, 13 September

Price Determination Date (Note 4) . . . . . 5:00 p.m. on Friday, 14 September

Announcement of the Offer Price and the indication of the levels of interest in the Placing, the results of applications in respect of the Public Offer and the Preferential Offering and the basis of allotment of the Public Offer Shares and the Reserved Shares, and the number of Shares, if any, reallocated between the Placing and the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels, including the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.global-sweeteners.com](http://www.global-sweeteners.com)), as described under the paragraph headed "Publication of results" in the section headed "How to apply for the Public Offer Shares and the Reserved Shares" in this prospectus on or before . . . . . Wednesday, 19 September

Despatch of Share certificates and refund cheques on or before (Note 5) . . . . . Wednesday, 19 September

Dealings in Shares on the Stock Exchange to commence on . . . . . Thursday, 20 September

*Notes:*

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.
- (2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 13 September 2007, the application lists will not open. Further information is set out in the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Public Offer Shares and the Reserved Shares" in this prospectus.
- (3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to apply by giving **electronic application instructions** to HKSCC" in the section headed "How to apply for the Public Offer Shares and the Reserved Shares" in this prospectus.
- (4) The Price Determination Date is expected to be at or about 5:00 p.m. on 14 September 2007, and in any event no later than 5:00 p.m. on 17 September 2007. If, for any reason, the final Offer Price is not agreed between the Company and Goldbond Securities (on behalf of the Underwriters) at or before 5:00 p.m. on 17 September 2007, the Share Offer (including the Public Offer) will not become unconditional and will lapse.

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## EXPECTED TIMETABLE

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- (5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

Applicants who have applied for 1,000,000 Public Offer Shares or more on **WHITE** application forms and applicants who have applied for 1,000,000 Reserved Shares or more on **BLUE** application form and have indicated in their application forms that they wish to collect refund cheques and (where applicable) Share certificates in person from the Company's Hong Kong share registrar may collect refund cheques and (where applicable) Share certificates in person from the Company's Hong Kong share registrar, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on 19 September 2007. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who have applied for 1,000,000 Public Offer Shares or more on **YELLOW** application forms and have indicated in their application forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants on **YELLOW** application forms are the same as those for applicants on **WHITE** or **BLUE** application forms.

Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "Despatch and collection of Share certificate(s) and/or refund cheque(s) and deposit of Share certificates into CCASS" under the section headed "How to apply for the Public Offer Shares and the Reserved Shares" in this prospectus for details.

Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant application forms shortly after the time specified for collection. Further information is set out in the paragraph headed "Despatch and collection of Share certificate(s) and/or refund cheque(s) and deposit of Share certificates into CCASS" under the section headed "How to apply for the Public Offer Shares and the Reserved Shares" in this prospectus.

**All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with their terms at or before 8:30 a.m. (Hong Kong time) on 20 September 2007.**

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*You should rely only on the information contained in this prospectus and the application forms to make your investment decision.*

*The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made in this prospectus and the application forms must not be relied on by you as having been authorised by the Company, the Sponsor, the Joint Lead Managers, any of the Underwriters, any of their respective directors, or any other person or party involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. Capitalised terms not defined in this summary are defined in the section headed “Definitions” in this prospectus.*

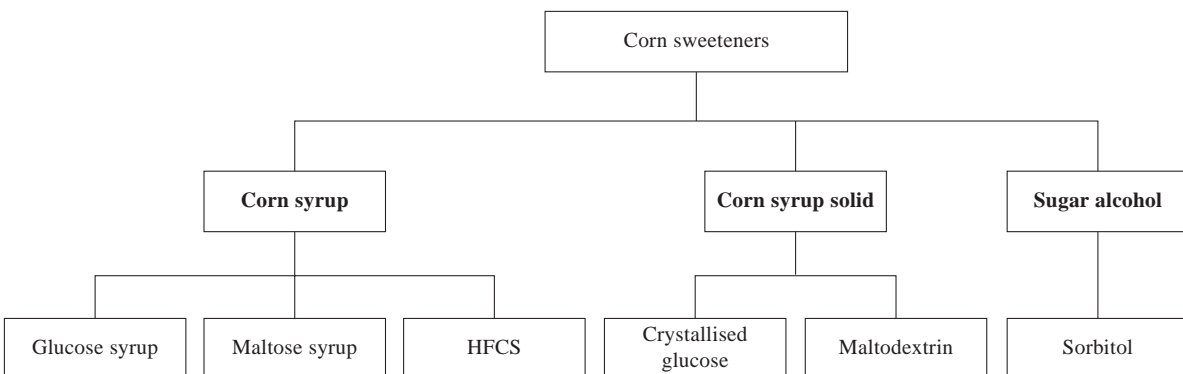
*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

The Global Sweeteners Group is one of the largest corn sweetener producers in the PRC in terms of production capacity and production output of corn sweeteners (including the production capacities of the Jointly-controlled Entities) in 2006. The Global Sweeteners Group is principally engaged in the production and sale of various corn sweeteners which can be classified into three categories: corn syrup, corn syrup solid and sugar alcohol. During the Track Record Period, the Global Sweeteners Group also engaged in the trading of some of its products, namely sorbitol and HFCS. These products, depending on their ingredients and respective concentration levels, have different properties in taste and texture and have a variety of applications.

The Global Sweeteners Group’s corn syrup products include glucose syrup, maltose syrup and HFCS; corn syrup solid products include crystallised glucose and maltodextrin; and sugar alcohol product includes sorbitol.

The diagram below sets out the corn sweeteners currently manufactured and sold by the Global Sweeteners Group:



The Global Sweeteners Group comprises the Company, the subsidiaries of the Company, namely GS (China), Global Sweeteners, Global Sweeteners (HK) Limited, Hao Cheng, Changchun Dihao, Dihao Crystal, Eternal Win and Datex, and the jointly-controlled entities of the Company, namely Global Bio-chem-Cargill, Global-Nikken (Hong Kong), CDNP and GCHF. Please refer to the paragraph headed “Group structure” in the section headed “Business” in this prospectus for further details regarding the corporate structure of the Global Sweeteners Group.

## SUMMARY

The subsidiaries of the Company, namely Hao Cheng and Changchun Dihao, are principally engaged in the manufacturing and sale of glucose and maltose products. The Jointly-controlled Entities, namely GCHF and CDNP, are principally engaged in the manufacture and sale of HFCS and sorbitol, respectively. Dihao Crystal, a subsidiary of the Company which commenced production in November 2006, is principally engaged in the manufacture and sale of crystallised glucose.

The table below sets out the major products sold by each member of the Global Sweeteners Group:

<b>Subsidiary/ Jointly-controlled Entity</b>	<b>Major product(s)</b>
Changchun Dihao	glucose syrup, maltose syrup and maltodextrin
Hao Cheng	glucose syrup and maltose syrup
CDNP	sorbitol and crystallised glucose
GCHF	HFCS
Dihao Crystal	crystallised glucose

For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, turnover of the Group amounted to about HK\$265.0 million, HK\$825.0 million, HK\$1,144.1 million and HK\$336.4 million respectively. The table below sets out the amount of monetary value of each of the Group's product sold during the Track Record Period:

<b>Products</b>	<b>Year ended 31 December</b>			<b>Three months ended</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><i>Corn syrup</i></b>				
Glucose syrup	74,638	460,680	639,835	190,304
Maltose syrup	146,575	267,145	304,212	85,221
HFCS*	26,548	45,054	113,631	28,305
<b><i>Corn syrup solid</i></b>				
Crystallised glucose ( <i>Note 1</i> )	—	—	21,267	17,715
Maltodextrin	14,423	41,175	52,254	13,471
<b><i>Sugar alcohol</i></b>				
Sorbitol ( <i>Note 2</i> )*	2,832	10,918	6,245	1,271
Others ( <i>Note 3</i> )	—	—	6,697	63
<b>Total</b>	<b><u>265,016</u></b>	<b><u>824,972</u></b>	<b><u>1,144,141</u></b>	<b><u>336,350</u></b>

*Notes:*

- Sale of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
- Sale of sorbitol produced by CDNP commenced in November 2005 while trading of sorbitol had been carried out by the Global Sweeteners Group during the Track Record Period.
- Others include mother solution and other by-products.



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## SUMMARY

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\* *These mainly represent the portions of turnover attributable to the relevant Jointly-controlled Entities which have been consolidated into the Group's accounts. As disclosed in the paragraph headed "Summary of significant accounting policies" in appendix I to this prospectus, the Group's interests in its Jointly-controlled Entities are accounted for by proportionate consolidation, which involves recognising its share of the Jointly-controlled Entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.*

The corn sweeteners of the Global Sweeteners Group are sold to customers including food and beverage manufacturers and pharmaceutical product manufacturers by the Global Sweeteners Group's sales and marketing teams and through local distributors in the PRC. For the three years ended 31 December 2006 and the three months ended 31 March 2007, all of the Global Sweeteners Group's sales were derived from domestic customers although the Directors are aware that some of the distributors to whom the Global Sweeteners Group sold its products in turn shipped them to overseas customers.

As at the Latest Practicable Date, the Global Sweeteners Group had a total designed annual production capacity of about 960,000 tonnes (of which the Jointly-controlled Entities have a total designed production capacity of about 160,000 tonnes) of corn sweeteners. For the year ended 31 December 2006 and the three months ended 31 March 2007, the utilisation rate of a majority of the production lines of the Global Sweeteners Group approached their designed production capacities except for the production facilities of CDNP and Dihao Crystal.

As at the Latest Practicable Date, the total gross floor area of the production facilities of the Global Sweeteners Group is about 43,127 sq.m.. The production facilities of Changchun Dihao, Dihao Crystal and CDNP are located in Changchun, Jilin Province with total gross floor area of about 31,807 sq.m. in aggregate. The production facilities of Hao Cheng and GCHF are located in Shanghai with total gross floor area of about 11,320 sq.m. in aggregate. The designed production capacities of each member of the Global Sweeteners Group as at 31 August 2007 are set out below:

<b>Production facility</b>	<b>Designed production capability (tonnes per annum)</b>
Changchun Dihao	520,000
CDNP	60,000
Hao Cheng	80,000
GCHF	100,000
Dihao Crystal	200,000

The Group has obtained valid long term certificates for all properties where its production facilities in the PRC are located. Dihao Crystal leased its production plant, being the property number 3 as referred to in the valuation report as set out in appendix III to this prospectus, from Changchun Dihao. Changchun Dihao has obtained the land use right certificates of the land and the building ownership certificate in respect of such production plant. However, as advised by the Company's legal advisors on PRC laws, Changchun Dihao has not obtained the non-residential property leasing permit (非住宅房屋出租許可證) and has not filed the lease agreement with the relevant authorities and therefore the lease agreement has not become effective and enforceable by the relevant parties. While it is legally possible for Changchun Dihao to evict Dihao Crystal from its production plant, the Directors consider that such risk is remote and hypothetical given that both Changchun Dihao and Dihao Crystal are wholly-owned subsidiaries of the Company.

## SUMMARY

During the Track Record Period, save for the inadvertent omission to keep track of the employee social insurance contributions for certain of the Global Sweeteners Group's temporary employees as stated in the paragraph headed "Benefits" in the section headed "Directors, senior management and staff" in this prospectus, the Global Sweeteners Group had complied with all relevant and applicable PRC laws and regulations in all material aspects for conducting its business and operation, including environmental and safety laws and regulations.

### TRADING RECORD

The table below sets forth a summary of the consolidated results of the Group for the Track Record Period on the assumption that the current structure of the Global Sweeteners Group had been in existence throughout the Track Record Period. Further, it should be noted that the results of the Jointly-controlled Entities are proportionally consolidated into the Group's results based on their respective attributable interests indirectly held by the Company. It should be read in conjunction with the accountants' report set forth in appendix I to this prospectus.

	Year ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
REVENUE	265,016	824,972	1,144,141	212,035	336,350
Cost of sales	<u>(210,089)</u>	<u>(645,037)</u>	<u>(892,564)</u>	<u>(171,663)</u>	<u>(280,548)</u>
Gross profit	54,927	179,935	251,577	40,372	55,802
Other income	2,345	2,178	5,588	923	2,764
Selling and distribution costs	(20,403)	(50,092)	(48,251)	(8,441)	(11,143)
Administrative expenses	(6,668)	(10,659)	(15,039)	(2,660)	(4,248)
Other expenses	(2,952)	(8,510)	(3,760)	(725)	(19)
Finance costs	<u>(892)</u>	<u>(5,688)</u>	<u>(13,426)</u>	<u>(2,830)</u>	<u>(3,412)</u>
PROFIT BEFORE TAX	26,357	107,164	176,689	26,639	39,744
Tax	<u>(3,146)</u>	<u>(11,498)</u>	<u>(19,956)</u>	<u>(2,976)</u>	<u>(5,117)</u>
PROFIT FOR THE YEAR/ PERIOD	<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
Attributable to:					
Equity holders of the Company	18,455	80,663	156,733	23,663	34,627
Minority interests	<u>4,756</u>	<u>15,003</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
— basic <i>(Note)</i>	<u>HK\$0.026</u>	<u>HK\$0.115</u>	<u>HK\$0.224</u>	<u>HK\$0.034</u>	<u>HK\$0.049</u>

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## SUMMARY

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*Note:* The calculation of basic earnings per Share for the Track Record Period is based on the profit attributable to ordinary equity holders of the Company for the Track Record Period and assuming that 700,000,000 Shares had been in issue and issuable, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Capitalisation Issue as more fully described in the paragraph headed “Resolutions in writing of the sole Shareholder passed on 3 September 2007” in appendix V to this prospectus, throughout the Track Record Period.

### **KEY STRENGTHS**

The Directors believe the success of the Global Sweeteners Group’s business and its potential future growth are attributed to the following strengths:

#### **Leading position in the corn sweeteners market in the PRC**

Based on the findings set out in the DRC Report, the Global Sweeteners Group is one of the largest corn sweetener producers in the PRC in terms of production capacity and production output of corn sweeteners (including the production capacities of the Jointly-controlled Entities) in 2006. The Directors believe that the leading position of the Global Sweeteners Group plays an important role in negotiating and securing contracts with customers, suppliers and recruiting talents. As one of the largest corn sweetener producers in the PRC, the Global Sweeteners Group also enjoys economies of scale over those competitors with a smaller production scale. Accordingly, the Directors believe that this factor enhances the overall competitiveness of the Global Sweeteners Group and is important to the future growth of the Global Sweeteners Group.

#### **Products sold by the Global Sweeteners Group are well recognised**

As the Global Sweeteners Group’s products are principally used as ingredients in the manufacturing of food and beverage products, there are stringent requirements on the quality of the Global Sweeteners Group’s products as raw materials to ensure that the final products meet the relevant health and safety requirements. Most of the products of the Global Sweeteners Group are well recognised among business customers. The Directors believe that such recognition is due to the high quality of the Global Sweeteners Group’s products which enhances confidence in the Global Sweeteners Group’s products. The Directors believe that with its established reputation, the Global Sweeteners Group is in a position to expand its business to retail customers in the future.

#### **Co-operation with internationally renowned producers**

The Directors believe that the Group’s co-operations with Cargill and Mitsui, both being internationally renowned conglomerates, are evidence of the recognition of the Group’s status, including its product quality and experience in operation in the PRC. The Directors believe that the Group has gained valuable management experience in working with these leading global sweetener producers. The Directors also believe that this experience puts the Group in an advantageous position in fostering co-operation with other international corporations to further develop its business when suitable opportunities arise.

#### **Geographical advantage**

The production facilities of the Global Sweeteners Group are situated in Jilin province and Shanghai, the PRC. Jilin province is in the northeast region of the PRC and is one of the largest corn production provinces in the PRC. Shanghai, locates between the Jiangsu and Zhejiang provinces and near the Yangtze River Delta Region, where a number of large food and beverage producers are

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## SUMMARY

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situated. The location of the production facilities in Jilin province enables the Global Sweeteners Group to gain access to food and beverage manufacturers, potential customers of the Global Sweeteners Group, as well as abundant supply of major production material.

### **RELATIONSHIP WITH THE GBT GROUP**

As further mentioned in the section headed “Relationship with the GBT Group” in this prospectus, immediately upon completion of the Share Offer and the Capitalisation Issue but without taking into account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, GBT, through its wholly-owned subsidiary, Global Corn Bio-chem, will be interested in 70% of the then issued share capital of the Company.

The shares of GBT have been listed on the main board of the Stock Exchange since 16 March 2001.

The GBT Group is principally engaged in the manufacture and sale of corn-refined and corn-based biochemical products other than corn sweeteners (save for corn sweeteners produced by it for its internal use as production materials for production of its other corn-based biochemical products) in the PRC. The GBT Group is a leading vertically integrated corn-based biochemical product manufacturer (other than corn sweeteners) in the Asia Pacific region and the global market.

One of the principal production materials of the products of the Global Sweeteners Group is corn starch, being one of the upstream products of the GBT Group. As the respective principal raw materials and production materials and the products of the Global Sweeteners Group and the GBT Group are different, the Directors are of the view that there will not be any actual or potential competition between the respective businesses of the Global Sweeteners Group and the GBT Group.

The Global Sweeteners Group had been operated as an integral part of the GBT Group and had not been operated independent from the GBT Group since its establishment or, in respect of Changchun Dihao, since it became a member of the Global Sweeteners Group in 2004. During the Track Record Period, the Global Sweeteners Group had sold a portion of its products to, and had sourced certain utility services and a significant portion of its production materials from, the GBT Group. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the total cost of procurement of corn starch sourced from the GBT Group by the Group (including GCHF) represented about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group respectively. During the corresponding period, the GBT Group was the largest customer of the Group, accounting for about 2.3%, 45.8%, 40.2% and 41.3% of the sales of the Group (taking into account its attributable interests in the Jointly-controlled Entities).

### **Separate Listing of the Company**

As set out in the announcement of GBT dated 10 August 2007, the board of directors of GBT believes that the Listing will be beneficial to both GBT and the Company due to the difference in products of the GBT Group and the Global Sweeteners Group, and the two groups of companies are believed to have different growth paths and different strategies. The Listing is expected to (i) create two groups of pure play companies so as to offer the shareholders of GBT with an opportunity to participate in the future developments of both the GBT Group as well as the Global Sweeteners Group and flexibility to invest in either both or only the Global Sweeteners Group; (ii) enable the management team of the GBT Group and the Global Sweeteners Group to focus on their respective core businesses of the two groups of companies, thereby enhancing the efficiency in operations and

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## SUMMARY

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expediting their respective business developments; (iii) improve the operational and financial transparency of the Global Sweeteners Group and provide investors, the market and rating agencies with greater clarity on the businesses as well as the respective financial status of the GBT Group and the Global Sweeteners Group, allowing it to achieve its valuation potential which will be beneficial to the Shareholders and the shareholders of GBT; (iv) allow a more effective and direct evaluation and reward mechanism to attract and motivate the Global Sweeteners Group's management to align their interests with the financial performance of the Global Sweeteners Group on a stand alone basis; and (v) provide an additional fund raising platform for GBT and its subsidiaries, and provide the Global Sweeteners Group more diversified funding sources to finance its own operations and future business expansion. Based on the above, the board of directors of GBT believes that the Listing will be beneficial to the shareholders of GBT. The Listing has complied with requirements of Practice Note 15 of the Listing Rules.

### **Risks relating to the Global Sweeteners Group in relation to its reliance on, and its relationship with the GBT Group**

#### *Reliance on the GBT Group for the sale of its corn sweeteners*

The Global Sweeteners Group has been supplying corn sweeteners to the GBT Group for use in production of its amino acid and polyol products. Sales of corn sweeteners to the largest customer of the Group (taking into account its attributable interests in the Jointly-controlled Entities), namely the GBT Group, accounted for about 45.8%, 40.2% and 41.3% of the Group's turnover for each of the two years ended 31 December 2006 and the three months ended 31 March 2007 respectively, which were significantly greater than the aggregate sales to the other top five customers of the Group (excluding the GBT Group) (taking into account its attributable interests in the Jointly-controlled Entities), which accounted for about 13.9%, 17.0% and 16.6% of the Group's turnover for the corresponding periods. In the event the Global Sweeteners Group cannot sell its corn sweeteners to third parties when the GBT Group reduces or ceases its purchases from the Group, the turnover, profitability and cash flow of the Global Sweeteners Group will be significantly adversely affected.

#### *Reliance on the GBT Group for the supply of principal production material*

Corn starch is the principal production material for the production of corn sweeteners, which the Global Sweeteners Group principally sources from the GBT Group. For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the total cost of procurement of corn starch sourced from the GBT Group by the Group (including GCHF) amounted to about HK\$226.4 million, HK\$545.1 million, HK\$794.7 million and HK\$232.5 million respectively, representing about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group for the corresponding period. The Group has entered into the Corn Starch Master Purchase Agreement with the GBT Group for the supply of corn starch to the Group for a term expiring on 31 December 2009. Please refer to the section headed "Continuing connected transactions" in this prospectus for further details. There is no certainty or guarantee that such supply agreement will not be terminated prior to the expiration of its terms or will be renewed. If such supply agreement is prematurely terminated or is not renewed, the Group will have to seek alternative supply from the market. However, there is no assurance that the Group will be able to find an alternate source of supply of corn starch on commercially acceptable terms and in a timely manner. The Group has been using a starch pipeline system connected to the facilities of the GBT Group as the principal mode of transportation of the corn starch purchased from the GBT Group to the production facilities of Changchun Dihao during the Track Record Period. For indicative purposes only, based on the average related costs savings to Changchun Dihao, comprising dehumidifying, packaging, transportation, storage and other related costs which are generally borne by purchasers in line

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with normal commercial practice, at about RMB360 per tonne during the three months ended 31 March 2007 and the amount of corn starch slurry sourced by Changchun Dihao from the GBT Group for the three years ended 31 December 2006 and the three months ended 31 March 2007 of about 83,000 tonnes, 343,000 tonnes, 393,000 tonnes and 103,000 tonnes (total amount of corn starch sourced by the Group from the GBT Group amounted to about 162,000 tonnes, 420,000 tonnes, 499,000 tonnes and 130,000 tonnes for the same period), the total purchase costs saved by the Changchun Dihao were about HK\$29.9 million, HK\$123.5 million, HK\$141.5 million and HK\$37.1 million respectively. There is no assurance that such mode of transportation will not be terminated in the future and there is also no assurance that the Group will be able to enter into similar arrangement with other suppliers in the future so as to lower the Group's purchase costs or other costs of operation. Should there be any significant interruption in the stable and timely supply of corn starch, the Global Sweeteners Group's business operation could be adversely affected. If the Group cannot use the starch pipeline system or is otherwise unable to find alternate efficient and effective economic measures or arrangements with the GBT Group or other suppliers to minimise the Group's purchase costs or other costs of operation in the future, the Group's profitability could be adversely affected.

### *Reliance on wastewater treatment facilities of the GBT Group at Changchun*

The production facilities of the Group and CDNP at Changchun do not have their own wastewater treatment facilities and used the GBT Group's wastewater treatment facilities to ensure compliance with the relevant environmental regulations and requirements. The aggregate annual designed production capacity of the production facilities of the Group and CDNP at Changchun during the three years ended 31 December 2006 and the three months ended 31 March 2007 were 170,000 tonnes, 580,000 tonnes, 780,000 tonnes and 780,000 tonnes, representing about 51.5%, 78.4%, 81.3% and 81.3% of the total annual designed production capacity of the Global Sweeteners Group respectively. Each of the Group and CDNP has entered into the Utilities Master Supply Agreements with the GBT Group for an initial term expiring on 31 December 2009, with an option for the Group and CDNP, but not the GBT Group, to renew for successive terms of three years thereafter, details of which are set out in the section headed "Continuing connected transactions" in this prospectus. If the wastewater treatment facilities owned and operated by the GBT Group are interrupted or become unavailable to the Group and CDNP, the production activities of the Group and CDNP could be adversely affected. In addition, if such wastewater treatment facilities fail to meet the requirements of the relevant environmental regulations from time to time, the operations of the Group and CDNP may be affected. If the Group and CDNP are to build their own wastewater treatment facilities at Changchun, the Directors estimate that the costs of building such wastewater treatment facilities with sufficient production capacity to meet the requirements of the production facilities at Changchun and the environmental regulations would be about HK\$42 million and would take about eight to 12 months. If the Group and CDNP are to obtain wastewater treatment services from third party service providers, the Directors estimate that the costs (including transportation costs) would be about HK\$13 per tonne, which is higher than the fee charged by the GBT Group of about HK\$6 per tonne due to the additional transportation and administration costs involved. In such event, not only will capital investments and/or additional costs have to be incurred, it may also not be cost efficient from the operation point of view.

### *Reliance on the GBT Group for the supply of electricity, steam and water at Changchun*

The production facilities of the Group and CDNP at Changchun do not have their own electricity, steam and water facilities for sourcing such utilities from third party suppliers and obtained supplies of electricity, steam and water from the GBT Group. The aggregate annual designed production capacity of the production facilities of the Group and CDNP at Changchun

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during the three years ended 31 December 2006 and the three months ended 31 March 2007 were 170,000 tonnes, 580,000 tonnes, 780,000 tonnes and 780,000 tonnes, representing about 51.5%, 78.4%, 81.3% and 81.3% of the total annual designed production capacity of the Global Sweeteners Group respectively. Each member of the Group at Changchun and CDNP has entered into the Utilities Master Supply Agreements with the GBT Group for the supply of electricity, steam and water to their production plants at Changchun for an initial term expiring on 31 December 2009, with an option for the Group and CDNP, but not the GBT Group, to renew for successive terms of three years thereafter, details of which are set out in the section headed “Continuing connected transactions” in this prospectus. There is, however, no assurance that the Utilities Master Supply Agreements will not be terminated prior to the expiration of their term or will be renewed. In the event the Utilities Master Supply Agreements are pre-maturely terminated or are not renewed, and the Group and/or CDNP are unable to find alternative sources of supply in a timely manner and at a reasonable cost, the operation and profitability of the Group and/or CDNP may be adversely affected. If the Group and CDNP are to source their own electricity and water from public electricity suppliers directly for their production facilities at Changchun, certain complementary construction work would be required and the Directors estimated that the aggregate capital outlay would be about HK\$4 million with an expected construction time of about three months. As far as the Directors are aware of, there is no public supplier of steam and therefore if the Group and CDNP are to install and operate a coal-fired boiler for production of steam for their own production facilities at Changchun, the Directors estimate that an additional capital expenditure of about RMB10 million and an estimated construction time of three to six months for installation thereof. In such event, not only will capital investments have to be incurred, it may also not be cost efficient from the operation point of view.

### **Continuing connected transactions**

During the Track Record Period, the Group and the GBT Group have entered into certain transactions which would constitute connected transactions of the Company had the Shares been listed during that time. The Directors expect to continue such transactions with the GBT Group after the Listing. **In the paragraphs below, all references to revenues of, amounts payable to/by, and other financial information of the Group exclude those of, to or by the Jointly-controlled Entities.**

#### *Supply of sorbitol*

The GBT Group has been sourcing sorbitol from CDNP as one of the principal production materials for production of its polyol products since 2005. During the two years ended 31 December 2006 and the three months ended 31 March 2007, sales of sorbitol by CDNP to the GBT Group amounted to nil, about HK\$5.7 million, HK\$5.7 million and HK\$2.5 million respectively.

Pursuant to the Sorbitol Master Purchase Agreement dated 7 May 2007 and entered into between CDNP as supplier and the GBT Group as purchaser, the GBT Group agreed to purchase sorbitol from CDNP solely for its own production use at prices to be determined from time to time by the relevant member of the GBT Group and CDNP on arm’s length basis and with reference to the prevailing market rates of sorbitol and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and comparable to the terms of sales of sorbitol by CDNP to Independent Third Parties. It is expected that the aggregate selling price receivable by CDNP from the GBT Group under the Sorbitol Master Purchase Agreement for each of the three years ending 31 December 2009 will exceed 0.1% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but will not exceed the annual monetary caps of HK\$14.0 million, HK\$31.4 million and

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HK\$35.1 million, respectively, representing about 1.0%, 1.9% and 1.6% of the projected sales of the Group for the respective year estimated on the basis of the best information available to the Directors as at the Latest Practicable Date.

### *Sourcing of utility services*

During the Track Record Period, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Global Sweeteners Group's production plants at Changchun. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the amounts payable by the Group in respect of the utility services provided by the GBT Group were about HK\$12.9 million, HK\$44.1 million, HK\$53.2 million and HK\$15.5 million respectively, and the entire amount payable by CDNP in respect of the utility services provided by the GBT Group were nil, about HK\$2.0 million, HK\$5.9 million and HK\$1.4 million respectively.

Pursuant to the two Utilities Master Supply Agreements dated 3 September 2007 and entered into between the GBT Group as supplier and each of the Group and CDNP as purchaser, the GBT Group agreed to procure the supplies of electricity, water and steam and the provision of wastewater treatment services to the Group and CDNP on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. The fees payable by the Group and CDNP shall be settled on a monthly basis and shall be payable by the Group and CDNP within 90 days after the date of the relevant invoice issued by the GBT Group. Each Utilities Master Supply Agreement has an initial term expiring on 31 December 2009, with an option by the Group and CDNP, but not the GBT Group, to renew the term for three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter (subject however to the compliance by the Company and GBT of the applicable Listing Rules), unless terminated earlier by three months' written notice by the Group or, as the case may be, CDNP. It is expected that the aggregate fees payable by each of the Group and CDNP to the GBT Group under the Utilities Master Supply Agreements for each of the three years ending 31 December 2009 for all these utility services will exceed 2.5% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but the aggregate fees payable by the Group for such utility services will not exceed the annual monetary caps of HK\$81.9 million, HK\$81.9 million and HK\$111.2 million respectively for the Group, representing about 7.5%, 6.7% and 7.0% of the projected total cost of sales of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date, and the aggregate fees payable by CDNP for such utility services will not exceed the annual monetary caps of about HK\$9.6 million, HK\$9.6 million and HK\$9.6 million respectively for CDNP, representing about 0.9%, 0.8% and 0.6% of the projected total cost of sales of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date.

### *Purchase of corn starch*

The Group has been sourcing corn starch, either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, purchase of corn starch from the GBT Group by the Group (excluding Global Bio-chem-Cargill and GCHF) amounted to about HK\$206.3 million, HK\$517.0 million, HK\$723.8 million and HK\$209.9 million (in terms of quantity, about 162,000 tonnes, 420,000 tonnes, 499,000 tonnes and 130,000 tonnes), respectively. Purchases of corn starch by Global Bio-chem-Cargill and/or GCHF from the GBT Group will not constitute connected transactions of the Company as they are not regarded as subsidiaries of the Company under the Listing Rules.



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Pursuant to the Corn Starch Master Purchase Agreement dated 3 September 2007 and entered into between the GBT Group as supplier and the Group as purchaser, the Group agreed to purchase corn starch, either in the form of starch powder or starch slurry, from the GBT Group at prices to be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder and on such other standard terms of sale and purchase from time to time, provided that, in respect of corn starch purchased by the Group's production facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, adjustments will be made to the purchase price with reference to the dehumidifying, packaging, transportation, storage and other related costs which should be borne by the Group but for such arrangement. It is expected that all of the corn starch slurry required by the Group's existing production facilities in Changchun, and about 76.9%, nil and nil of the corn starch powder required by the Group's and GCHF's existing and future production facilities for the production by the Global Sweeteners Group will be sourced from the GBT Group for each of the three years ending 31 December 2009 respectively and the aggregate purchase price payable by the Group to the GBT Group under the Corn Starch Master Purchase Agreement will exceed 2.5% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but will not exceed the annual monetary caps of HK\$891.4 million, HK\$755.2 million and HK\$830.8 million, respectively, representing about 81.3%, 61.4% and 52.6% of the projected total cost of sales (or, about 97.4%, 83.0% and 77.6% of the projected total amount of purchase of corn starch) of the Group for the respective year estimated on the basis of best information available to the Directors as at the Latest Practicable Date.

### *Supply of corn sweeteners*

The GBT Group has been sourcing corn sweeteners from the Group as one of the principal production materials for production of its amino acid and polyol products. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, sales of corn sweeteners by the Group to the GBT Group amounted to about HK\$6.1 million, HK\$375.2 million, HK\$456.8 million and HK\$137.7 million respectively.

Pursuant to the Corn Sweeteners Master Sales Agreement dated 3 September 2007 and entered into between the Group as supplier and the GBT Group as purchaser, the GBT Group agreed to purchase corn sweeteners from the Group solely for its own production use at prices to be from time to time determined by the relevant member of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to Independent Third Parties. It is expected that the aggregate selling price receivable by the Group from the GBT Group under the Corn Sweeteners Master Sales Agreement for each of the three years ending 31 December 2009 will exceed 2.5% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but will not exceed the annual monetary caps of HK\$324.0 million, HK\$449.3 million and HK\$700.9 million, respectively, representing about 20.0%, 20.0% and 19.7% of the projected sales of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date.

Please refer the section headed "Continuing connected transactions" in this prospectus for further details of the continuing connected transactions of the Company.

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### Corporate governance measures to avoid conflict of interests

In the event that there are conflict of interests in the operations of the Group and the GBT Group, and in respect of any proposed contract or arrangement between the GBT Group and the Global Sweeteners Group, including any connected transactions or continuing connected transactions entered or to be entered into between the GBT Group and the Global Sweeteners Group and matters relating to the non-compete undertaking given by GBT and Global Corn Bio-chem as referred to in the paragraph headed “Non-compete undertaking” in the section headed “Relationship with the GBT Group” in this prospectus, a relevant board meeting attended by disinterested Directors who have no material interest in the matter shall be held to deliberate on the matter. Mr. Kong Zhanpeng, an executive Director and the Chairman of the Company, is an executive director of GBT but will resign from such directorship before the Listing. He is beneficially interested in more than 5% interest in the share capital of GBT.

The articles of association of the Company provide that, save for certain matters as prescribed under the articles of association, details of which are set out in the sub-paragraph headed “Disclosure of interests in contracts with the Company or any of its subsidiaries” in the paragraph headed “Articles of Association” in appendix IV to this paragraph, where any Director or his/her associates has a material interest in a matter, he may not vote on the resolutions of the Board approving the matter and shall not be counted in the quorum for the voting as required under the Listing Rules. Such Director will be required to physically absent himself from the relevant session of the Board meeting before the disinterested Directors discuss and decide on the matter, unless he is required to be present by resolution of the disinterested Directors. Even if a Director who has conflict of interests is invited to attend the relevant session of the meetings of the Board where transactions between the Global Sweeteners Group and the GBT Group are to be discussed, such Director may not vote and shall not be counted in the quorum for the voting on such transactions.

On the basis that (i) Mr. Kong Zhanpeng will resign from his directorships of members of the GBT Group before the Listing; (ii) other than Mr. Kong Zhanpeng, one of the executive Directors has joined the Global Sweeteners Group for about eight years and one executive Director has joined the Global Sweeteners Group since October 2004, and they have extensive experience and expertise in respect of different respects of the operation and management of the sweeteners business, including but not limited to sales and marketing, production, operation, quality control, financial and accounts; and (iii) Mr. Gao Yunchun, one of the independent non-executive Directors, has relevant chemical industry knowledge, the Directors are of the view that the Board will have the expertise to transact business which may potentially involve conflicts of interest between the GBT Group and the Global Sweeteners Group objectively, impartially and in the best interest of the Company and its Shareholders as a whole. Besides, conflicts of interests of any overlapping Directors will not affect the business operations of the Global Sweeteners Group as the daily business operations of the Global Sweeteners Group in the PRC are operated and implemented by employees of the Global Sweeteners Group under the strategic directions of the Board or, as the case may be, the experienced and disinterested Board.

Under the agreements governing the non-exempt continuing connected transactions as referred to in the paragraph headed “Continuing connected transactions subject to the reporting, announcement and (if applicable) shareholders’ approval requirements in respect of which a waiver has been granted by the Stock Exchange” in the section headed “Continuing connected transactions” in this prospectus, the counterparties to these agreements have undertaken to the Group to allow the Group’s auditors sufficient access to their records for reporting on the transactions involved. Similarly, under the non-compete undertaking given by GBT and Global Corn Bio-chem, GBT and Global Corn Bio-chem have also jointly and severally undertaken to the Global Sweeteners

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Group to allow the Directors, their representatives and the auditors to have sufficient access to the records of GBT and/or other members of the GBT Group to ensure its compliance of the terms and conditions under the non-compete undertaking.

Under Rules 14A.37 and 14A.38 of the Listing Rules, all continuing connected transactions between the Global Sweeteners Group and the GBT Group are subject to annual review by the independent non-executive Directors as well as the auditors of the Company to ensure, among other things, that (i) the disinterested Board has approved the transactions; (ii) the transactions are in the ordinary and usual course of business of the Group; (iii) the transactions are either on normal commercial terms or, if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties; (iv) the transactions have been entered into in accordance with the relevant agreement governing them that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In order to comply with these requirements, the management of the Global Sweeteners Group will continuously monitor the conducts of all continuing connected transactions between the Global Sweeteners Group and the GBT Group to ensure that all these transactions will be conducted in the above manner, failing which the Company will need to re-comply with the reporting, announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the relevant transactions.

In addition to the above annual review requirements as prescribed under the Listing Rules, the Group has adopted a more stringent system to control over the potential conflicts of interests between the Group and the GBT Group such that (i) in the event that there are directors of the Group and the GBT Group who have conflict of interests, such directors will not be involved in matters relating to the continuing connected transactions between the Global Sweeteners Group and the GBT Group; and (ii) the disinterested Directors, in particular, the independent non-executive Directors, will be able to participate in monitoring transactions between the Global Sweeteners Group and the GBT Group in a more proactive manner.

Monitoring, review and management of the continuing connected transactions between the Group and the GBT Group will be assigned to the CCT Executive Committee comprising two executive Directors, namely Mr. Zhang Fusheng and Ms. Wang Guifeng, who are responsible for all matters relating to these transactions under the supervision of the CCT Supervisory Committee.

The CCT Supervisory Committee, comprising four independent non-executive Directors has been established by the Board with definite terms of references. The main responsibilities of the CCT Supervisory Committee are as follows:

1. to review and approve the terms and conditions, in particular the pricing formulae and other major commercial terms (including credit terms) as set out in the Sorbitol Master Supply Agreement, Corn Starch Master Purchase Agreement, the Corn Sweeteners Master Sales Agreement, the Utilities Master Supply Agreements and agreements governing other continuing connected transactions from time to time entered into between the Group and the GBT Group (collectively, the “**Master Agreements**”);
2. to devise and revise detailed rules and guidelines (the “**Prescribed Guidelines**”) from time to time for the CCT Executive Committee to follow in order to ensure that the continuing connected transactions with the GBT Group will be entered into in accordance with the respective Master Agreements, on normal commercial terms and on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Prescribed Guidelines shall include procedures to be taken by the CCT Executive Committee before the Group may enter into the actual purchase orders for the acquisitions of corn starch

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from the GBT Group, or to accept the sale orders from the GBT Group for the sales of sorbitol and corn sweeteners to the GBT Group. The procedures shall include, among others:

- (1) in respect of purchase of corn starch from the GBT Group
  - (i) CCT Executive Committee shall summarise the principal commercial terms for the proposed purchase (the “**Proposed Purchase**”) as quoted by the GBT Group, including the specifications and quantity of the product required, the unit purchase price, the payment and other commercial terms;
  - (ii) CCT Executive Committee shall obtain quotations and other major commercial terms (including credit terms offered) for supply of corn starch of comparable specifications and quantities from such number of independent suppliers to be stipulated by the CCT Supervisory Committee from time to time; and
  - (iii) in respect of Changchun Dihao whereby corn starch is to be purchased from the GBT Group in slurry form:
    - (A) CCT Executive Committee shall obtain quotations and other major commercial terms (including credit terms offered) for supply of corn starch in slurry form of comparable quantities and specifications from a number of independent suppliers to be stipulated by the CCT Supervisory Committee from time to time; and
    - (B) CCT Executive Committee should conduct a detailed analysis (with supporting evidence):
      - (a) if the quotations for supply of corn starch in slurry form obtained from those independent suppliers are exclusive of any of transportation, storage and/or insurance cost, such additional cost to be incurred by the Group (whether by itself or through independent third party service providers); and
      - (b) with reference to the findings from the above, whether the quotation given by the GBT Group in respect of the Proposed Purchase has been determined by reference to the then market price of the corn starch as reduced by such amount of costs saved, and whether such amount of costs saved are not less than the estimated cost to be incurred by the Group (whether by itself or through third parties suppliers/service providers) had the Group obtained the corn starch from independent suppliers.
- (2) in respect of sales of corn sweeteners and sorbitol to the GBT Group, before giving a quotation to the GBT Group for the proposed sale (“**Proposed Sale**”) of the Group’s products to the GBT Group:
  - (i) CCT Executive Committee shall obtain market information regarding the prevailing market price of corn sweeteners and sorbitol of comparable specifications and quantities;

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- (ii) if there is insufficient information on market price available, CCT Executive Committee shall make a detailed analysis of the price and other major commercial terms recently offered by the Group to independent third party purchasers for sales of products for comparable specifications and quantities; and
    - (iii) where the above market pricing information or the selling price offered to third party purchasers relate to corn sweeteners and sorbitol of different specifications, CCT Executive Committee shall make a detailed analysis as to how the proposed quotation for the Proposed Sale should be determined with reference to the above market pricing information or the selling price offered to third party purchasers to ensure that the proposed selling price of the product with such particular specifications is fair and reasonable and on normal commercial terms;
  - (3) CCT Executive Committee must make an application (“**Application**”) to the CCT Supervisory Committee containing the above information and confirming that (i) all the above procedures have been complied with, and (ii) the Proposed Purchase or the Proposed Sale will be entered into in accordance with the terms and conditions of the relevant Master Agreements. The CCT Executive Committee may only proceed with the Proposed Sale or the Proposed Purchase after obtaining the approval by the CCT Supervisory Committee. The CCT Executive Committee will need to comply with the above procedures and seek the CCT Supervisory Committee’s approval in respect of any proposed change to the terms of the Proposed Sale or the Proposed Purchase again.
3. to review the Application from the CCT Executive Committee and to pre-approve the Proposed Sale and the Proposed Purchase on the terms as set out therein. The CCT Supervisory Committee may request the CCT Executive Committee to provide further information or to undertake further procedures to ensure the reliability of the information and confirmation given in the Application for the Proposed Purchase and Proposed Sale, the Prescribed Guidelines have been complied with and that the Proposed Sale and the Proposed Purchase will be entered into in accordance with the respective Master Agreements;
  4. to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to the execution of the pre-approved Proposed Sale and the Proposed Purchase as to whether they have been proceeded with in accordance with the pre-approvals (the “**CCT Quarterly Report**”);
  5. in respect of the Utilities Master Supplies Agreements, whereby the fees will be charged on cost-reimbursement basis and therefore the above pre-approval procedures are not applicable, to review the CCT Quarterly Report from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group;
  6. should the CCT Supervisory Committee consider necessary and appropriate, it may, at the cost of the Company, engage independent professional(s) to assist in reviewing the terms of the continuing connected transactions with the GBT Group; and

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7. to report its findings during its review of the CCT Quarterly Report to the Board, and to give recommendations to the Board to ensure that the transactions will be entered into in the interests of the Group and the Shareholders as a whole.

The auditors of the Global Sweeteners Group will be engaged to review the continuing connected transactions with the GBT Group on a semi-annual basis and report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.38 of the Listing Rules.

The Company will include a summary of the Prescribed Guidelines and other corporate governance procedures adopted by the Group in respect of the continuing connected transactions with the GBT Group and the findings of the CCT Supervisory Committee in respect of the effectiveness of the Prescribed Guidelines and changes made to the Prescribed Guidelines at the recommendation of the CCT Supervisory Committee during the year in its corporate governance report to be contained in its annual report. In addition, the Company will publish details of the findings of the CCT Supervisory Committee's review of the CCT Quarterly Report as soon as practicable after the Board's review of such findings by way of announcement(s).

The Directors consider that the above corporate governance measures (including the entering into of the agreements in relation to the continuing connected transactions of the Company) are sufficient to manage any potential conflicts of interests between the Global Sweeteners Group and the GBT Group and to protect the interests of the minority Shareholders.

### **FUTURE PLANS AND PROSPECTS**

The Global Sweeteners Group's objective is to strengthen its leading position in the corn sweetener market in the PRC.

As one of the largest corn sweetener producers in the PRC in terms of production capacity and production output in 2006, the Directors believe that it is of utmost importance for the Global Sweeteners Group to maintain its leading position in the market by expanding its production capacity, and at the same time, expand its sales network. In addition, the Directors believe that the continuous development of new applications of the Global Sweeteners Group's existing products is as important as the development of new products, both of which would strengthen the leading position of the Global Sweeteners Group.

In order to achieve the objective of the Global Sweeteners Group, the Directors intend to implement the following future plans:

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### Expansion of production capacity

The Directors intend to establish new production facilities at existing locations of the production facilities of the Global Sweeteners Group and other locations in the PRC with an ultimate goal to increase the production capacity of its corn sweeteners. The construction of such new production facilities will be undertaken by new subsidiaries of the Company or joint ventures with third parties. The following table sets out the expansion plan of the Global Sweeteners Group's production capacity:

Location of the new production facility	Major product(s)		Designed production capacity (tonnes per annum)	Expected capital expenditure (HK\$ million)	Expected date for commencement of construction	Expected date for commencement of commercial production
Jinzhou	Glucose syrup/Maltose syrup	Phase 1	200,000	100.0	October 2007	July 2008
	Crystallised glucose		100,000	50.0	April 2008	January 2009
Changchun	Maltodextrin	Phase 1	40,000	25.0	October 2007	July 2008
		Phase 2	60,000	30.0	March 2008	December 2008
	Glucose syrup/Maltose syrup	Phase 1	200,000	80.0	November 2008	August 2009
		Phase 2	200,000	80.0	March 2009	December 2009
	Crystallised glucose	Phase 2	200,000	55.0	October 2007	July 2008
HFCS			200,000	140.0	February 2009	November 2009

*Note:* In May 2006, Dihao Crystal was established to operate a production facility for the manufacture of crystallised glucose as the Group's phase 1 development of crystallised glucose production facilities in Changchun. It began production in November 2006 with a designed production capacity of 200,000 tonnes per annum.

The Directors estimate that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of each of the production facilities while the remaining amounts are expected to be settled within one year from the relevant commencement dates. The expansion plans of the Global Sweeteners Group will be principally financed by the proceeds from the Share Offer and the internal resources of the Global Sweeteners Group, and the Directors are of the view that the existing technology knowhow of the Global Sweeteners Group is sufficient for such expansion. The Directors intend to establish new wholly owned subsidiaries or new joint ventures with third parties to undertake the construction of new production facilities to be constructed under the expansion plan.

### Expansion of sales network

In order to strengthen its leading position in the PRC market and in view of the proposed expansion of production capacity of the Global Sweeteners Group, the Directors intend to expand Global Sweeteners Group's sales and marketing teams in terms of both headcounts and coverage. In addition, the Directors plan to establish sales or representative offices in certain provinces of the PRC in order to achieve higher efficiency, provide better service to the customers and obtain more information of the local market to assist the management to respond to changes in market conditions. At present, the Directors intend to establish sales offices at Guangdong, Shanghai and Dalian in 2007 and employ about 10 personnel for each of these sales offices in order to broaden the customer base of the Global Sweeteners Group.

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## SUMMARY

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### USE OF PROCEEDS

Based on an Offer Price of HK\$1.805 per Offer Share (being the mid-point of the Offer Price range between HK\$1.57 and HK\$2.04 per Offer Share), the net proceeds of the Share Offer to be received by the Company, after deduction of related expenses and assuming the Over-allotment Option is not exercised, are estimated to be about HK\$499.5 million. The Directors intend to use such net proceeds in the following manners:

- as to about HK\$119.0 million for the construction of new production facilities in Jinzhou, including the acquisition of relevant land use rights, to be applied in the proportion of about 60% and 40% for the two years ending 31 December 2008;
- as to about HK\$214.0 million for the construction of new production facility in Changchun, including the acquisition of relevant land use rights, to be applied in the proportion of about 20% and 30% for the two years ending 31 December 2008 and about 50% for the year ending 31 December 2009 onwards;
- as to about HK\$117.0 million for the acquisition or construction of production facilities in relation to the expansion of the production capacity of the HFCS products of the Global Sweetener's Group, to be applied in the proportion of about 50% and 50% for the two years ending 31 December 2010; and
- as to about HK\$49.5 million as general working capital of the Group.

As at the Latest Practicable Date, no specific property has been acquired or proposed to be acquired by the Group for the construction of new production facilities.

Assuming an Offer Price of HK\$2.04 per Share (being the high-end of the stated range of the Offer Price between HK\$1.57 and HK\$2.04 per Share), the amount of additional net proceeds from the Share Offer to be received by the Company are estimated to be about HK\$68.5 million, of which the Directors intend to apply such additional net proceeds for repayment of the bank borrowings (the interest rates of such bank borrowings range from about 6.3% to 6.4% per annum and maturity ranges from about four to 16 months from the Latest Practicable Date) obtained by Changchun Dihao in 2004 for use in its expansion at the beginning of 2005.

Assuming an Offer Price of HK\$1.57 per Share (being the low-end of the stated range of the Offer Price between HK\$1.57 and HK\$2.04 per Share), the Directors intend that the respective amounts to be applied for each of the above purposes will remain unchanged except for the amount for acquisition or construction of production facilities for HFCS products and general working capital of the Group, which will be reduced by about HK\$34.0 million and HK\$34.5 million to about HK\$83.0 million and HK\$15.0 million, respectively.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term interest-bearing deposits with financial institutions.

In the event that the Over-allotment Option is exercised in full, the Directors intend to apply the additional net proceeds from the Share Offer to be received by the Company of about HK\$77.0 million (assuming an Offer Price of HK\$1.805 per Offer Share (being the mid-point of the Offer Price range between HK\$1.57 and HK\$2.04 per Offer Share)) for repayment of the aforementioned bank borrowings of Changchun Dihao.



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## SUMMARY

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In the event that there are any material changes or modifications to the use of proceeds, an announcement will be made by the Company.

### SHARE OFFER STATISTICS

	<b>Based on an Offer Price of HK\$1.57 per Share</b>	<b>Based on an Offer Price of HK\$2.04 per Share</b>
Market capitalisation ( <i>Note 1</i> ) . . . . .	HK\$1,570.0 million	HK\$2,040.0 million
Historical 2006 price/earnings multiple based on the results of the Company ( <i>Note 2</i> ) . . . . .	7.0 times	9.1 times
Unaudited pro forma adjusted net tangible assets per Share ( <i>Note 3</i> ) . . . . .	HK\$0.69	HK\$0.82

*Notes:*

1. The calculation of market capitalisation is based on the Offer Price and 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" in appendix V to this prospectus. If the Over-allotment Option is exercised in full, the market capitalisation of the Shares at the Offer Price would be about HK\$1,640.7 million based on an Offer Price of HK\$1.57 per Share and about HK\$2,131.8 million based on an Offer Price of HK\$2.04 per Share.
2. The calculation of the historical 2006 price/earnings multiples is based on the basic earnings per Share attributable to the Shareholders of about HK\$0.224 at the respective Offer Price of HK\$1.57 and HK\$2.04 per Share and on the assumption that 700,000,000 Shares had been in issue, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Capitalisation Issue as more fully described in the paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" in appendix V to this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted consolidated net tangible assets" under the section headed "Financial information" in this prospectus and on the basis of 1,000,000,000 Shares in issue immediately following the Share Offer and the Capitalisation Issue but without taking into account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme; or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" in appendix V to this prospectus. Please refer to appendix II to this prospectus for the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share.

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## SUMMARY

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### RISK FACTORS

The Directors consider that the operation of the Global Sweeteners Group's businesses is subject to a number of risk factors, a summary of which is set out in the section headed "Risk factors" in this prospectus. These risk factors can be classified as follows:

#### **Risks relating to the Global Sweeteners Group in relation to its reliance on, and its relationship with the GBT Group**

- Reliance on the GBT Group for the sale of its corn sweeteners
- Reliance on the GBT Group for the supply of principal production material
- Reliance on wastewater treatment facilities of the GBT Group at Changchun
- Reliance on the GBT Group for the supply of electricity, steam and water at Changchun

#### **Risks relating to the Global Sweeteners Group**

- Reliance on other major customers
- Reliance on the PRC market
- Increases in prices of principal production material
- Product diversification
- Research and development efforts may be unsuccessful
- Controlling Shareholders may have interests that conflict with that of the other Shareholders
- Fluctuation in product price
- Expansion of production capacity
- Natural disaster and adverse weather conditions
- Loss or change of preferential tax treatment
- Non-compliance with the employee social insurance contribution requirements
- Product liability
- Infringement of intellectual property rights in production process
- Expansion via acquisitions of companies and assets
- Historical net current liabilities
- Negative operating cash flow
- Substantial leverage and related interest rate risks

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## SUMMARY

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- Fluctuation of gross profit margin
- Impairment of goodwill

### **Risks relating to the industry**

- Availability of substitutes in the market
- Environmental protection regulations and requirements
- Competition
- Licences, certificates and permits required for the production of corn sweeteners in the PRC

### **Risks relating to the PRC**

- The state of the economy
- Foreign currency availability
- Political structure and economic considerations
- Restrictions under the PRC law in relation to the payment of dividends by the Company's operating subsidiaries and the Jointly-controlled Entities in the PRC
- Appreciation of the value of Renminbi
- Legal and other regulatory considerations

### **Risks relating to the Shares**

- Trading market for the Shares and the volatility of the market price
- Shareholders' interests in the Company may be diluted in the future

### **Other risks**

- Statistics in this prospectus are derived from various government official sources and may not be the most up-to-date or accurate
- Forward-looking statements contained in this prospectus may not be accurate

**There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.**

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Assured Entitlement”	the entitlements of Qualifying GBT Shareholders to apply for Reserved Shares under the Preferential Offering on the basis of an assured entitlement of one Reserved Share for every whole multiple of 154 shares of GBT Shares held by each Qualifying GBT Shareholder at the close of business on the Record Date
“Board of Directors” or “Board”	the board of Directors
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of the Company referred to in the sub-paragraph headed “Resolutions in writing of the sole Shareholder passed on 3 September 2007” under the paragraph headed “Further information about the Company” in appendix V to this prospectus
“Cargill”	Cargill, Incorporated, a private company duly organised and existing under the laws of the State of Delaware, the U.S. Cargill is an international provider of food, agricultural and risk management products and services and is the Global Sweeteners Group’s joint venture partner for the production of 42-HFCS. It holds 50% of the entire issued share capital of Global Bio-chem-Cargill and 10% of the total registered capital of GCHF through CIIL, its wholly-owned subsidiary. After making all reasonable enquiries by the Directors, none of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries is connected with Cargill. Please refer to page 92 of this prospectus for the corporate structure of Global Bio-chem-Cargill and GCHF
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant

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## DEFINITIONS

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“CCT Executive Committee”	the independent management team comprising two disinterested Directors, namely Mr. Zhang Fusheng and Ms. Wang Guifeng, responsible for monitoring, review and management of the continuing connected transactions between the Group and the GBT Group
“CCT Supervisory Committee”	the committee comprises the four independent non-executive Directors established by the Board to supervise the CCT Executive Committee
“CDNP”	長春大成日研糖醇開發有限公司 (Changchun Dacheng Nikken Polyols Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 3 June 2004 with limited liability and is wholly owned by Global-Nikken (Hong Kong), a company owned as to 51% by GS (China) (a wholly owned subsidiary of the Company), 31% by Mitsui-Tokyo, 16% by Mitsui-HK and 2% by Nikken (collectively, Mitsui). Please refer to page 92 of this prospectus for the corporate structure of CDNP and that of its holding company, Global-Nikken (Hong Kong)
“CFIA”	中國發酵工業協會 (China Fermentation Industry Association*), an Independent Third Party
“Changchun Dahe”	長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.*), a wholly foreign owned enterprise established in the PRC on 12 September 2003 with limited liability and an indirect wholly-owned subsidiary of Global Corn Bio-chem, a Controlling Shareholder
“Changchun Dayu”	Changchun Dayu Industrial (Group) Co., Ltd, one of the founding shareholders of Changchun Dihao, an Independent Third Party
“Changchun Dihao”	長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 10 May 1999 with limited liability and is owned as to 75% by GS (China) and 25% by Eternal Win, both being wholly owned subsidiaries of the Company. Please refer to page 92 of this prospectus for the corporate structure of Changchun Dihao
“China” or “Mainland China” or “PRC”	the People’s Republic of China and, for the sole purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“CIIL”	Cargill Investments (China) Ltd., a wholly foreign owned enterprise established in the PRC with limited liability wholly owned by Cargill. CIIL holds 10% of the total registered capital of GCHF. Please refer to page 92 of this prospectus for the corporate structure of GCHF and its holding company, Global Bio-chem-Cargill
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and as amended from time to time

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## DEFINITIONS

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“Company”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 13 June 2006
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of the Company, means Global Corn Bio-chem and GBT
“Corn Starch Master Purchase Agreement”	the agreement dated 3 September 2007 entered into between the GBT Group as supplier and the Group as purchaser, relating to the purchase of corn starch by the Group from the GBT Group, details of which are set out in the paragraph headed “Purchase of corn starch” in the section headed “Continuing connected transactions” in this prospectus
“Corn Sweeteners Master Sales Agreement”	the agreement dated 3 September 2007 entered into between the Group as supplier and the GBT Group as purchaser, relating to the supply of corn sweeteners by the Group to the GBT Group, details of which are set out in the paragraph headed “Supply of corn sweeteners” in the section headed “Continuing connected transactions” in this prospectus
“CSA”	中國糖業協會 (China Sugar Association), an Independent Third Party
“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 on 12 September 1996 with limited liability and an indirect wholly-owned subsidiary of Global Corn Bio-chem, a Controlling Shareholder. Dacheng Industrial is a former shareholder of Changchun Dihao, holding 25% of its total registered capital immediately prior to the completion of the Reorganisation
“Datex”	Datex Investment Ltd., a company incorporated in Hong Kong on 29 November 2000 with limited liability and is wholly owned by Global Sweeteners, a wholly owned subsidiary of the Company. Datex holds 10% of the total registered capital of GCHF. Please refer to page 92 of this prospectus for the corporate structure of GCHF and its holding company, Global Bio-chem-Cargill
“Dihao Crystal”	長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 15 May 2006 with limited liability and is wholly owned by GS (China), a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“DRC”	Beijing DRC net Information Company Limited, a company directed by 國務院發展研究中心信息中心 (Information Center of the Development and Research Centre of the State Council of the PRC*), an Independent Third Party
“DRC Report”	the report commissioned by the Group from DRC dated 20 June 2006

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## DEFINITIONS

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“Eternal Win”	Eternal Win Investments Limited, a company incorporated in the BVI on 15 February 2007 with limited liability and an indirect wholly-owned subsidiary of the Company. Eternal Win holds 25% interest in the registered capital of Changchun Dihao. Please refer to page 92 for the corporate structure of Eternal Win and Changchun Dihao
“European Economic Area”	the European Union plus Iceland, Norway and Liechtenstein
“EU”	the European Union, which comprises the following 25 member states: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom
“GBT”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands on 18 May 2000 with limited liability, whose shares are listed on the main board of the Stock Exchange. GBT holds the entire issued share capital of Global Corn Bio-chem and is one of the Controlling Shareholders
“GBT Group”	GBT and its subsidiaries which, for the purpose of this prospectus, excludes the Global Sweeteners Group
“GBT Shares”	ordinary shares of HK\$0.10 each in the share capital of GBT
“GCHF”	大成嘉吉高果糖(上海)有限公司 (GBT-Cargill High Fructose (Shanghai) Co., Ltd.*), a foreign invested enterprise established in the PRC on 29 November 2001 with limited liability and is owned as to 80% by Global Bio-chem-Cargill (owned as to 50% by Global Sweeteners, a wholly owned subsidiary of the Company, and 50% by Cargill), 10% by CIIL (wholly owned by Cargill, a wholly owned subsidiary of Cargill, an Independent Third Party) and 10% by Datex (wholly owned by Global Sweeteners, a wholly owned subsidiary of the Company). Please refer to page 92 of this prospectus for the corporate structure of GCHF and its holding company, Global Bio-chem-Cargill
“GDP”	gross domestic product
“Global Bio-chem-Cargill”	Global Bio-chem-Cargill (Holdings) Limited, a joint venture company established in the Hong Kong on 20 July 2001 with limited liability and is owned as to 50% by Global Sweeteners (a wholly owned subsidiary of the Company) and 50% by Cargill. Global Bio-chem-Cargill is the joint venture company jointly established by Cargill and the Group for the production of 42-HFCS. Please refer to page 92 of this prospectus for the corporate structure of Global Bio-chem-Cargill
“Global Corn Bio-chem”	Global Corn Bio-chem Technology Company Limited, a company incorporated in the BVI on 4 May 1999 with limited liability and is wholly owned by GBT, a Controlling Shareholder

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## DEFINITIONS

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“Global-Nikken (Hong Kong)”	Global-Nikken (H.K.) Company Limited, a company incorporated in Hong Kong on 18 February 2004 with limited liability, an indirect jointly-controlled entity of the Company, owned as to 51% by GS (China) (a wholly owned subsidiary of the Company), 31% by Mitsui-Tokyo, 16% by Mitsui-HK and 2% by Nikken. Global-Nikken (Hong Kong) is the joint venture company jointly established by Mitsui and the Group for the production of sorbitol. Please refer to page 92 of this prospectus for the corporate structure of Global-Nikken (Hong Kong)
“Global Sweeteners”	Global Sweeteners Investments Limited, a company incorporated in the BVI with limited liability on 24 July 2001 and a wholly owned subsidiary of the Company. Global Sweeteners holds the entire issued share capital of Datex and 50% of the entire issued share capital of Global Bio-chem-Cargill. Please refer to page 92 of this prospectus for the corporate structure of Global Sweeteners, Datex and Global Bio-chem-Cargill
“Global Sweeteners Group”	the Group and the Jointly-controlled Entities. Please refer to pages 31 and 32 of this prospectus for further information regarding the references made in this prospectus in relation to the Global Sweeteners Group, the Group and the Jointly-controlled Entities
“GS (China)”	Global Sweeteners (China) Limited, a company incorporated in the BVI on 17 May 2006 with limited liability and a wholly owned subsidiary of the Company. GS (China) holds the entire issued share capital of Hao Cheng, Dihao Crystal and Eternal Win, 75% of the total registered capital of Changchun Dihao and 51% of the entire issued share capital of Global-Nikken (Hong Kong). Please refer to page 92 of this prospectus for the corporate structure of GS (China), Hao Cheng, Dihao Crystal, Eternal Win, Changchun Dihao and Global Nikken (Hong Kong)
“Goldbond Capital” or “Sponsor”	Goldbond Capital (Asia) Limited, acting as the sponsor of the Share Offer, a licensed corporation by the SFC to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Goldbond Securities”	Goldbond Securities Limited, acting as the sole bookrunner and sole global coordinator and one of the Joint Lead Managers of the Share Offer, a licensed corporation by the SFC to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
“Group”	the Company and its subsidiaries (which for the purpose of the prospectus, exclude Global-Nikken (Hong Kong) and CDNP). Please refer to pages 31 and 32 of this prospectus for further information regarding the references made in this prospectus in relation to the Global Sweeteners Group, the Group and the Jointly-controlled Entities



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## DEFINITIONS

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“Hao Cheng”	上海好成食品發展有限公司 (Shanghai Hao Cheng Food Development Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 2 December 1998 with limited liability and is wholly owned by GS (China), a wholly owned subsidiary of the Company. Please refer to page 92 of this prospectus for the corporate structure of Hao Cheng
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries who are independent of the Company and its connected persons as defined in the Listing Rules
“Joint Lead Managers”	Goldbond Securities and DBS Asia Capital Limited
“Joint Venture Agreement”	the joint venture agreement dated 8 August 2001 entered into between Cargill and GBT, as supplemented by a supplemental agreement dated 25 September 2001 entered into among Cargill, GBT and Global Sweeteners for the joint investment of Global Bio-chem-Cargill and GCHF
“Joint Venture Structure Agreement”	the joint venture structure agreement dated 9 February 2004 entered into among GBT, Global Sweeteners, Mitsui and Nikken for the joint investment of Global-Nikken (Hong Kong) and CDNP
“Jointly-controlled Entities”	Global Bio-chem-Cargill, Global-Nikken (Hong Kong), CDNP and GCHF, amongst which, CDNP and Global Nikken (Hong Kong) are considered to be indirect subsidiaries of the Company under the Listing Rules.
“Latest Practicable Date”	4 September 2007, being the latest practicable date prior to the printing of the prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the main board of Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Stock Exchange first commence which is expected to be on or about 20 September 2007
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mitsui”	collectively, Mitsui-Tokyo, Mitsui-HK and Nikken

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## DEFINITIONS

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“Mitsui-HK”	Mitsui & Co. (H.K.) Ltd., a company incorporated in Hong Kong and a wholly-owned subsidiary of Mitsui-Tokyo. Mitsui-HK is one of the Global Sweeteners Group’s joint venture partners for the production of sorbitol. It holds 16% of the entire issued share capital of Global-Nikken (Hong Kong)
“Mitsui-Tokyo”	Mitsui & Co., Ltd., a company incorporated in Japan with its common stocks listed on the stock exchanges of Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Luxemburg, Amsterdam and Frankfurt Stock Exchanges and whose American Depositary Receipts are traded over the counter through the NASDAQ National Market System. Mitsui-Tokyo is one of the Global Sweeteners Group’s joint venture partners for the production of sorbitol. It directly holds 31% of the entire issued share capital of Global-Nikken (Hong Kong), and indirectly holds 16% and 2% of the entire issued share capital of Global-Nikken (Hong Kong) through Mitsui-HK and Nikken, two of its wholly-owned subsidiaries
“MPF Scheme”	a defined contribution mandatory provident fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong)
“Nikken”	Nikken Fine Chemicals Co., Ltd., a company incorporated in Japan and a wholly-owned subsidiary of Mitsui-Tokyo. Nikken is one of the Global Sweeteners Group’s joint venture partners for the production of sorbitol. It holds 2% of the entire issued share capital of Global-Nikken (Hong Kong)
“Notice of SAFE”	Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Returning Investment via Overseas Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知)
“Offer Price”	the final price per Offer Share (exclusive of 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee) of not more than HK\$2.04 and expected to be not less than HK\$1.57, such price to be agreed upon by the Company and Goldbond Securities (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option expected to be granted by the Company to the Placing Underwriters (exercisable by Goldbond Securities) under the Underwriting Agreement whereby the Company may be required to allot and issue up to an aggregate of 45,000,000 additional Shares at the Offer Price to cover over-allocations in the Placing, details of which are set out in the section headed “Structure of the Share Offer” in this prospectus

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## DEFINITIONS

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“Overseas GBT Shareholder(s)”	registered holders of GBT Shares whose addresses on the register of members of GBT were outside Hong Kong as at 5:00 p.m. on the Record Date
“Placing”	the conditional placing of the Placing Shares at the Offer Price with professional, institutional and other investors by the Placing Underwriters on behalf of the Company, details of which are set out in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 270,000,000 new Shares initially being offered under the Placing (subject to such reallocation as described in the section headed “Structure of the Share Offer” in this prospectus and the Over-allotment Option)
“Placing Underwriters”	the Underwriters of the Placing whose names are set out in the paragraph headed “Placing Underwriters” in the section headed “Underwriting” in this prospectus
“Preferential Offering”	the preferential offer (as to allocation only) of the Reserved Shares to Qualifying GBT Shareholders at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the BLUE application form, as further described under the paragraph headed “Preferential Offering” in the section headed “Structure of the Share Offer” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between the Company and Goldbond Securities (on behalf of the Underwriters) on or prior to the Price Determination Date to record the Offer Price as agreed between the Company and Goldbond Securities (on behalf of the Underwriters)
“Price Determination Date”	the time, expected to be at or about 5:00 p.m. on 14 September 2007 (Hong Kong time), on which the final Offer Price will be fixed for the purposes of the Share Offer, or such later time as the Company and Goldbond Securities (on behalf of the Underwriters) may agree, but in any event not later than 5:00 p.m. on 17 September 2007 (Hong Kong time)
“Public Offer”	the offer for subscription of Public Offer Shares by the public for cash at the Offer Price (plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee) on and subject to the terms and conditions described in this prospectus and the application forms relating thereto, further details of which are set out in the two sections headed “Information about this prospectus and the Share Offer” and “Structure of the Share Offer”
“Public Offer Shares”	the 30,000,000 new Shares initially being offered by the Company for subscription under the Public Offer (subject to such reallocation as described in the section headed “Structure of the Share Offer” in this prospectus)

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## DEFINITIONS

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“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the paragraph headed “Public Offer Underwriters” in the section headed “Underwriting” in this prospectus
“Qualifying GBT Shareholder(s)”	registered holder(s) of GBT Shares (other than the Overseas GBT Shareholders), whose names appeared on the register of members of GBT holding not less than 154 GBT Shares as at 5:00 p.m. on the Record Date
“Record Date”	3 September 2007, being the record date for ascertaining the Qualifying Shareholders who shall be entitled to the Assured Entitlement
“Regulations on Mergers and Acquisitions”	Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
“Reorganisation”	the reorganisation of the Group in preparation for the listing of the Shares, which is more particularly described in the paragraph headed “Group reorganisation” in appendix V to this prospectus
“Reserved Share(s)”	the 15,000,000 Placing Shares (representing about 5% of the Offer Shares initially available under the Share Offer (subject to the Over-allotment Option)) to be made available for subscription by the Qualifying Shareholders pursuant to the Preferential Offering and which are to be allocated out of the Placing Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 3 September 2007, the principal terms of which are summarised in the sub-paragraph headed “Share Option Scheme” under the paragraph headed “Other information” in appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sorbitol Master Purchase Agreement”	the agreement dated 7 May 2007 entered into between CDNP as supplier and the GBT Group as purchaser relating to the supply of sorbitol by CDNP to the GBT Group, details of which are set out in the paragraph headed “Supply of sorbitol” in the section headed “Continuing connected transactions” in this prospectus

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## DEFINITIONS

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“Stock Borrowing Agreement”	the stock borrowing agreement which is expected to be entered into between Global Corn Bio-chem and Goldbond Securities on or about 14 September 2007 pursuant to which Global Corn Bio-chem will agree to lend up to 45,000,000 Shares to Goldbond Securities on the terms set out therein, further details of which are set out in the paragraph headed “Stabilisation” in the section headed “Structure of the Share Offer” in this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Track Record Period”	the period from 1 January 2004 to 31 March 2007
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreement”	the conditional underwriting agreement dated 7 September 2007 entered into among the Company, the executive Directors, the Controlling Shareholders and the Underwriters in relation to the Share Offer, particulars of which are summarized in the section headed “Underwriting” in this prospectus
“Utilities Master Supply Agreements”	the two agreements both dated 3 September 2007 entered into between the GBT Group and each of the Group and CDNP relating to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to each of the Group and CDNP, details of which are set out in the paragraph headed “Sourcing of utilities services” in the section headed “Continuing connected transactions” in this prospectus
“US” or “U.S.” or “United States”	the United States of America
“HK\$” or “HK dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“tonne(s)”	metric tonne equivalent to 1,000 kilogrammes
“sq.ft.”	square foot (feet)
“sq.m.”	square metre(s)
“%”	per cent

\* *for identification purposes only*

**In this prospectus, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the Jointly-controlled Entities to the extent that such information has been proportionately consolidated or otherwise reflected in the**

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## DEFINITIONS

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accountants' report on the Group set out in appendix I to this prospectus. Subject to the above and unless otherwise specified, all information in this prospectus relating to the Global Sweeteners Group includes information of the Group and the Jointly-controlled Entities, without regard to the ownership level of, or the proportion of interest held by, the members of the Group in such Jointly-controlled Entities. It should be noted that the Company and its subsidiaries only hold up to 50% of interest in the Jointly-controlled Entities or, when hold more than 50% equity interest therein but did not unilaterally control the Jointly-controlled Entities. However, for regulatory purpose, CDNP and Global-Nikken (Hong Kong) are considered to be indirect subsidiaries of the Company under the Listing Rules.

*Notes:*

1. Certain monetary amounts set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.
2. Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.
3. For the purposes of this prospectus, unless otherwise indicated, exchange rates of HK\$7.80 = US\$1.00 and HK\$1.00 = RMB1.00 have been used for currency conversions (as the case may be). This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$, RMB or US\$ have been, could have been or may be converted at such rates or any other exchange rates.
4. If there is any inconsistency between the Chinese name of the PRC entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains terms used in this prospectus in connection with the Group. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“Baume”	density of liquids
“catalyst separation”	a process of removing catalyst from a substance
“centrifugation”	the process that involves the use of the centripetal force for the separation of mixtures
“corn starch”	white and tasteless powder that is insoluble in water which is derived from corn and is a key production material for the manufacture of corn based biochemical products that range from corn sweetener to amino acids and ethanol. Starch, pending further research, can theoretically be converted into an enormous assortment of biochemical products now produced from petroleum sources
“corn sweetener”	corn-based biochemical products made from corn starch that are used as production materials for the food industries, for example, corn syrup to replace cane sugar in a host of products like soda and candy
“crystallisation”	a process of forming crystals from liquid or gas
“DE value”	dextrose equivalence value, which is a quantitative measure of the degree of starch polymer hydrolysis and a measure of reducing power compared to a dextrose standard of 100
“decolourisation”	a process of removing colour from a substance
“dehydration”	a process where water is removed by way of heating or drying
“enzymes”	protein or protein-based catalysts which can accelerate the reaction process
“enzyme preparation”	a process whereby corn starch is liquefied in the presence of enzymes to produce different sugar solutions
“evaporation”	a process where water changes into water vapour
“fermentation”	a biological process carried out by mass culture of micro-organisms to produce desired products
“filtration”	the process of straining out contained substance
“fructose”	a liquid starch hydrolysate
“fructose syrup”	colourless, clear and transparent sugar solution derived from corn starch through enzyme preparation, with fructose and glucose as main ingredients
“glucose syrup”	a colourless and transparent sugar solution derived from corn starch through enzyme preparation

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## GLOSSARY OF TECHNICAL TERMS

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“HFCS”	high fructose corn syrup
“hydrogenation”	a class of chemical reactions in which the net result is an addition of hydrogen
“ion exchange”	is a process for water purification in which ions are exchanged between a solution and an ion exchanger, a non-aqueous solid or gel
“isomerisation”	the process of restructuring glucose to fructose
“liquefaction”	the conversion of solid or gas into liquid
“maltodextrin”	a sugar powder made up of multiple molecules of glucose and derived from purified corn starch through enzyme preparation
“maltose syrup”	a colourless, clear and transparent sugar solution derived from corn starch through enzyme preparation
“purification”	a process of removing impurities
“saccharification”	the conversion of a substance into sugar, such as starch into simple sugar
“sedimentation”	the motion of molecules in solutions or particles in suspensions in response to an external force such as gravity, centrifugal force or electric force
“sorbitol”	an organic chemical widely used as an important production material in the food, pharmaceutical, cosmetic and chemical industries
“starch moderation”	the process of eliminating or lessening extremes during the starch reacting process
“starch slurry”	a principal product of corn processing which is a production material for the manufacturing of corn based biochemical products



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## RISK FACTORS

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*Potential investors in, and purchasers of, Shares should, prior to making an investment decision in relation to the Company, consider carefully all the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in the Company.*

### **RISKS RELATING TO THE GLOBAL SWEETENERS GROUP IN RELATION TO ITS RELIANCE ON, AND ITS RELATIONSHIP WITH THE GBT GROUP**

The Global Sweeteners Group had been operated as an integral part of the GBT Group and had not been operated independent from the GBT Group since its establishment or, in respect of Changchun Dihao, since it became a member of the Global Sweeteners Group in 2004. During the Track Record Period, the Global Sweeteners Group had sold a portion of its products to, and had sourced certain utility services and a significant portion of its production materials from the GBT Group which are detailed below. The risks relating to the Global Sweeteners Group in view of its historical reliance and relationship with the GBT Group which are highlighted below:

#### **Reliance on the GBT Group for the sale of its corn sweeteners**

The Global Sweeteners Group has been supplying corn sweeteners to the GBT Group for use in production of its amino acid and polyol products. Sales of corn sweeteners to the largest customer of the Group (taking into account its interests in the Jointly-controlled Entities), namely the GBT Group, accounted for about 45.8%, 40.2% and 41.3% of the Group's turnover for each of the two years ended 31 December 2006 and the three months ended 31 March 2007 respectively, which were significantly greater than the aggregate sales to the other top five customers of the Group (excluding the GBT Group) (taking into account its attributable interests in the Jointly-controlled Entities), which accounted for about 13.9%, 17.0% and 16.6% of the Group's turnover for the corresponding periods. In the event the Global Sweeteners Group cannot sell its corn sweeteners to third parties when the GBT Group reduces or ceases its purchases from the Group, the turnover, profitability and cash flow of the Global Sweeteners Group will be significantly adversely affected.

#### **Reliance on the GBT Group for the supply of principal production material**

Corn starch is the principal production material for the production of corn sweeteners, which the Global Sweeteners Group principally sources from the GBT Group. For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the total cost of procurement of corn starch sourced from the GBT Group by the Group (including GCHF) amounted to about HK\$226.4 million, HK\$545.1 million, HK\$794.7 million and HK\$232.5 million respectively, representing about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group for the corresponding period. The Group has entered into the Corn Starch Master Purchase Agreement with the GBT Group for the supply of corn starch to the Group for a term expiring on 31 December 2009. Please refer to the section headed "Continuing connected transactions" in this prospectus for further details. There is no certainty or guarantee that such supply agreement will not be terminated prior to the expiration of its term or will be renewed. If such supply agreement is prematurely terminated or is not renewed, the Group will have to seek alternative supply from the market. However, there is no assurance that the Group will be able to find an alternate source of supply of corn starch on commercially acceptable terms and in a timely manner. The Group has been using a starch pipeline system connected to the facilities of the GBT Group as the principal mode of transportation of the corn starch purchased from the GBT Group to the production facilities of Changchun Dihao during the Track Record Period. For indicative purposes only, based on the

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## RISK FACTORS

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average related costs savings to Changchun Dihao, comprising dehumidifying, packaging, transportation, storage and other related costs which are generally borne by purchasers in line with normal commercial practices, at about RMB360 per tonne during the three months ended 31 March 2007 and the amount of corn starch slurry sourced by Changchun Dihao from the GBT Group for the three years ended 31 December 2006 and the three months ended 31 March 2007 of about 83,000 tonnes, 343,000 tonnes, 393,000 tonnes and 103,000 tonnes (total amount of corn starch sourced by the Group from the GBT Group amounted to about 162,000 tonnes, 420,000 tonnes, 499,000 tonnes and 130,000 tonnes for the same period), the total purchase costs saved by the Changchun Dihao were about HK\$29.9 million, HK\$123.5 million, HK\$141.5 million and HK\$37.1 million respectively. There is no assurance that such mode of transportation will not be terminated in the future and there is also no assurance that the Group will be able to enter into similar arrangement with other suppliers in the future so as to lower the Group's purchase costs or other costs of operation. Should there be any significant interruption in the stable and timely supply of corn starch, the Global Sweeteners Group's business operation could be adversely affected. If the Group cannot use the starch pipeline system or is otherwise unable to find alternate efficient and effective economic measures or arrangements with the GBT Group or other suppliers to minimise the Group's purchase costs or other costs of operation in the future, the Group's profitability could be adversely affected.

### **Reliance on wastewater treatment facilities of the GBT Group at Changchun**

The production facilities of the Group and CDNP at Changchun do not have their own wastewater treatment facilities and used the GBT Group's wastewater treatment facilities to ensure compliance with the relevant environmental regulations and requirements. The aggregate annual designed production capacity of the production facilities of the Group and CDNP at Changchun during the three years ended 31 December 2006 and the three months ended 31 March 2007 were 170,000 tonnes, 580,000 tonnes, 780,000 tonnes and 780,000 tonnes, representing about 51.5%, 78.4%, 81.3% and 81.3% of the total annual designed production capacity of the Global Sweeteners Group respectively. Each of the Group and CDNP has entered into the Utilities Master Supply Agreements with the GBT Group for an initial term expiring on 31 December 2009, with an option for the Group and CDNP, but not the GBT Group, to renew for successive terms of three years thereafter, details of which are set out in the section headed "Continuing connected transactions" in this prospectus. If the wastewater treatment facilities owned and operated by the GBT Group are interrupted or becomes unavailable to the Group and CDNP, the production activities of the Group and CDNP could be adversely affected. In addition, if such wastewater treatment facilities fail to meet the requirements of the relevant environmental regulations from time to time, the operations of the Group and CDNP may be affected. If the Group and CDNP are to build their own wastewater treatment facilities at Changchun, the Directors estimate that the costs of building such wastewater treatment facilities with sufficient production capacity to meet the requirements of the production facilities at Changchun and the environmental regulations would be about HK\$42 million and would take about eight to 12 months. If the Group and CDNP are to obtain wastewater treatment services from third party service providers, the Directors estimate that the costs (including transportation costs) would be about HK\$13 per tonne, which is higher than the fee charged by the GBT Group of about HK\$6 per tonne due to the additional transportation and administration costs involved. In such event, not only will capital investments and/or additional costs have to be incurred, it may also not be cost efficient from the operation point of view.

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## RISK FACTORS

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### **Reliance on the GBT Group for the supply of electricity, steam and water at Changchun**

The production facilities of the Group and CDNP at Changchun do not have their own electricity, steam and water facilities for sourcing such utilities from third party suppliers and obtained supplies of electricity, steam and water from the GBT Group. The aggregate annual designed production capacity of the production facilities of the Group and CDNP at Changchun during the three years ended 31 December 2006 and the three months ended 31 March 2007 were 170,000 tonnes, 580,000 tonnes, 780,000 tonnes and 780,000 tonnes, representing about 51.5%, 78.4%, 81.3% and 81.3% of the total annual designed production capacity of the Global Sweeteners Group respectively. Each member of the Group at Changchun and CDNP has entered into the Utilities Master Supply Agreements with the GBT Group for the supply of electricity, steam and water to their production plants at Changchun for an initial term expiring on 31 December 2009, with an option for the Group and CDNP, but not the GBT Group, to renew for successive terms of three years thereafter, details of which are set out in the section headed “Continuing connected transactions” in this prospectus. There is, however, no assurance that the Utilities Master Supply Agreements will not be terminated prior to the expiration of their term or will be renewed. In the event the Utilities Master Supply Agreements are pre-maturely terminated or are not renewed, and the Group and/or CDNP are unable to find alternative sources of supply in a timely manner and at a reasonable cost, the operation and profitability of the Group and/or CDNP may be adversely affected. If the Group and CDNP are to source their own electricity and water from public electricity suppliers directly for their production facilities at Changchun, certain complementary construction work would be required and the Directors estimated that the aggregate capital outlay would be about HK\$4 million with an expected construction time of about three months. As far as the Directors are aware of, there is no public supplier of steam and therefore if the Group and CDNP are to install and operate a coal-fired boiler for production of steam for their own production facilities at Changchun, the Directors estimate that an additional capital expenditure of about RMB10 million and an estimated construction time of three to six months for installation thereof. In such event, not only will capital investments have to be incurred, it may also not be cost efficient from the operation point of view.

### **RISKS RELATING TO THE GLOBAL SWEETENERS GROUP**

#### **Reliance on other major customers**

The bottler companies used by an internationally renowned beverage producer accounted for about 68.7%, 70.6%, 67.5% and 55.0% of sales of HFCS produced by GCHF for each of the three years ended 31 December 2006 and the three months ended 31 March 2007. There is no assurance that the producer will continue to purchase HFCS from GCHF. If the producer ceases to purchase, or purchase a significantly lesser amount, from GCHF, the results of the Global Sweeteners Group may be significantly adversely affected.

Furthermore, the Global Sweeteners Group’s products are primarily sold to a selection of customers and distributors. There is no assurance that these distributors and customers will continue to purchase corn sweeteners from the Global Sweeteners Group. In the event a significant number of these customers and distributors cease to purchase, or substantially decrease the amount of purchases of, corn sweeteners from the Global Sweeteners Group and the Global Sweeteners Group is unable to increase its sales to existing customers and distributors and/or identify new customers and distributors to sell its products within a reasonable period of time, the Global Sweeteners Group’s operations and profitability may be adversely affected.

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## RISK FACTORS

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### **Reliance on the PRC market**

During the Track Record Period, the Global Sweeteners Group sold all of its products to customers in the PRC domestic market. Changes in price and demand for corn sweeteners in the PRC domestic market will affect the business of the Global Sweeteners Group. The Group's results may be adversely affected by a material unfavourable change in price or level of demand for corn sweeteners in the PRC.

### **Increases in prices of principal production material**

Prices of the principal production material used in the Group's production, corn starch, in form of powder or slurry is subject to fluctuations depending on the market prices of corn kernels in the market. Corn kernels can be used for the production of a wide range of products such as production of amino acids, polyol and ethanol, the demand from which may drive up the demand of corn and pose upward pressure on its price. Under the Corn Starch Master Purchase Agreement, the GBT Group will supply corn starch to the Group at prices to be determined from time to time by the relevant members of the GBT Group and the Group with reference to the prevailing market rates of corn starch. During the three years ended 31 December 2006, the average price for corn starch purchased by the Group experienced a general increasing trend of more than 10% per annum. The profitability of the Global Sweeteners Group will be adversely affected in the event that there is a significant increase in the average price of corn starch and the Group not being able to pass the increased production cost fully to its customers in the future.

### **Product diversification**

During the Track Record Period, sale of glucose syrup and maltose syrup accounted for about 83.5%, 88.2%, 82.5% and 81.9% of the total sales of the Group for each of the three years ended 31 December 2006 and the three months ended 31 March 2007, respectively. There is no assurance that the sale volume of glucose syrup and maltose syrup can be maintained or that the production capacity of the Group can be expanded in a timely manner to meet the increase in demand. The business and profitability of the Group will be adversely affected, in the event of a decrease in the demand for the glucose syrup and maltose syrup of the Group or the Group is not able to expand its production capacity to capture the increasing demand for glucose syrup and maltose syrup in time.

The sales volume of HFCS had increased during the Track Record Period and CDNP and Dihao Crystal commenced sale of crystallised glucose in February 2006 and November 2006, respectively. There is no assurance that the Group can increase the sales volume of HFCS and crystallised glucose and any other of its corn sweeteners. Should the Group fail to increase the sales volume of HFCS and crystallised glucose and any other of its corn sweeteners, its business and profitability will be adversely affected in the event of a decrease in the sales volume of glucose syrup and maltose syrup.

### **Research and development efforts may be unsuccessful**

During the Track Record Period, research and development efforts of the Group focused on the enhancement of production techniques and the development of tailor-made products for customers. In spite of the Group's efforts in research and development, there is no assurance that such efforts will produce any result or the Group can successfully commercialise a new application of existing products or new products. As the research and development activities are being undertaken as part of the Global Sweeteners Group's production process, the costs were absorbed in the daily production costs of the Global Sweeteners Group and no additional product development cost had been incurred as research and development expenses during the Track Record Period. The Group's future growth

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## RISK FACTORS

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and profitability may be adversely affected by its failure to develop a new application of existing products or new products and/or to commercialise the result of its research and development in a timely manner.

### **Controlling Shareholder may have interests that conflict with that of the other Shareholders**

Global Corn Bio-chem, as the Controlling Shareholder, will be interested in about 70.0% of total issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue, or about 67.0% if the Over-allotment Option is exercised in full.

The interests of the Controlling Shareholders may not always coincide with the other Shareholders' best interests and it will have the ability to exert significant influence over the operation of the Global Sweeteners Group and effect corporate transactions irrespective of the views of the other Shareholders or the Board.

### **Fluctuation in product price**

The average unit selling prices of the maltose syrup, maltodextrin and HFCS produced by the Global Sweeteners Group has experienced an increase of about 13.8%, 28.5% and 44.6% respectively during the three years ended 31 December 2006 while the average unit selling price of glucose syrup produced by the Global Sweeteners Group decreased by about 10.4%. The selling prices of the Global Sweeteners Group's products are affected by many factors, including, but not limited to, the market demand and supply distribution and the price of other substitute products such as cane sugar. In general, the prices of starch sweeteners mainly depend on, among others, the prices of production materials (i.e. corn and starch) and production cost, demand and supply of the starch sweeteners and sugar price. The Directors estimate that, with all other factors remained constant, the effect on profit after taxation of the Group for every 1% variance in selling price for all products of the Global Sweeteners Group would have been HK\$10.2 million for the year ended 31 December 2006. There is no assurance that the respective selling prices of the Global Sweeteners Group's products will experience further increases/decreases or maintain at their current level in the future.

### **Expansion of production capacity**

The Global Sweeteners Group currently plans to expand its production capacities for combined glucose/maltose syrup, crystallised glucose and maltodextrin by about 600,000 tonnes, 300,000 tonnes and 100,000 tonnes respectively by stages by the end of 2009. There is no assurance that these expansion plans will materialise as planned or that the Global Sweeteners Group will be able to secure market demands for the products to be produced under the additional capacities.

### **Natural disaster and adverse weather conditions**

The business of the Global Sweeteners Group may be interrupted or otherwise affected by natural disasters, such as floods, drought and earthquakes that could cause material shortage in the supply of corn starch, which is the principal production material for the production of corn sweeteners, or damage the Global Sweeteners Group's production facilities. Furthermore, adverse weather conditions, such as snow and storm may cause difficulties in transportation of production materials, affecting the production of the Global Sweeteners Group. The occurrence of natural disasters that interrupt or affect the Global Sweeteners Group's business would adversely affect its operating results.

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## RISK FACTORS

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### **Loss or change of preferential tax treatment**

Pursuant to the prevailing PRC Enterprise Income Tax Law for Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (“**FIE Tax Law**”), all of the Company’s PRC subsidiaries and the Jointly-controlled Entities established in the PRC, which are engaged in the manufacture of corn sweeteners, have obtained the approvals from the tax authorities for a 100% exemption from PRC corporate income tax for two years commencing from the first profitable year of operations and a 50% relief for the following three years (the “**Tax Holiday**”). Pursuant to the new PRC Enterprise Income Tax Law (中華人民共和國所得稅法) promulgated on 16 March 2007 and which will become effective from 1 January 2008 and will abolish the FIE Tax Law with effect from that date, the Company’s PRC subsidiaries and the Jointly-controlled Entities will be entitled to the foregoing preferential tax treatment until the expiration of their respective Tax Holiday, provided that, if any of these PRC subsidiaries and the Jointly-controlled Entities has not had its first profitable year of operation by 1 January 2008, the period of the Tax Holiday shall nevertheless commence from 1 January 2008, that is, the 100% exemption from PRC enterprise income tax shall expire on 31 December 2009 and a 50% relief from PRC enterprise income tax for the following three years shall expire on 31 December 2012.

The Company’s operating subsidiaries and the Jointly-controlled Entities in the PRC are currently entitled to the abovementioned exemptions and relief but when such exemptions and relief expire, the after tax profit of the each of the Company’s PRC subsidiaries and the Jointly-controlled Entities established in the PRC and of the Global Sweeteners Group as a whole will be adversely affected.

Furthermore, where as a result of any change in the government policy or law, there is any revelation of or significant adverse impact to the tax benefits currently enjoyed by the Global Sweeteners Group, the tax liability of the Group may be materially increased and would have an adverse impact on the operating results and financial position of the Group.

### **Non-compliance with the employee social insurance contribution requirements**

Under the PRC law and regulations, the Global Sweeteners Group must make mandatory contributions to a number of social insurance schemes for employees employed in the PRC and eligible for such contributions. There are currently six social insurance schemes, namely pension, unemployment insurance, medical insurance, work injury insurance, maternity insurance and housing funds, in force in the areas where the Global Sweeteners Group operated. During the Track Record Period, the Global Sweeteners Group has employed a number of temporary workers to work at the plants in the PRC. As such workers have a relatively high mobility, the Global Sweeteners Group has experienced a high turnover rate in relation to such workers and have inadvertently failed to keep track of the employee social insurance contribution payments for such workers. This was the primary cause for the non-compliance of the Global Sweeteners Group with its obligations to make contributions to the relevant social insurance bureau for all of the relevant employees. The underpayment of these contributions amounted to about RMB1.7 million, RMB1.5 million, RMB1.7 million and RMB0.3 million (equivalent to about HK\$1.7 million, HK\$1.5 million, HK\$1.7 million and HK\$0.3 million) for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. As at 31 March 2007, total provision of about RMB5.2 million (equivalent to about HK\$5.2 million) has been made by the Group for such underpayment. The relevant social insurance bureau has confirmed the above amount of underpayment and has agreed that the Global Sweeteners Group shall settle these outstanding underpayments by instalments and in accordance with a schedule to be agreed. As at the Latest Practicable Date, the Global Sweeteners Group has contacted the relevant social insurance bureau in relation to the settlement schedule of the

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## RISK FACTORS

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abovementioned omitted contributions and was awaiting confirmation from such bureau for the repayment schedule. The Global Sweeteners Group may be required to pay up the outstanding contributions and subject to possible fines or penalties, and may thereby affect the financial position of the Global Sweeteners Group.

### **Product liability**

In accordance with the PRC Contract Law (中華人民共和國合同法), the PRC Product Quality Law (中華人民共和國產品質量法) and the Law of PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), enterprises producing products shall be liable for compensating for damages to a person or property caused by defects of products. Furthermore, enterprises producing products that do not conform to the national standard or the specific trade standard for ensuring physical health and the safety of human body and property shall be ordered to cease production and sale or, as the case may be, be ordered to pay a fine or have its business license revoked.

However, there is no assurance that the Global Sweeteners Group will not receive any complaints or claims against the Global Sweeteners Group in the future, which may adversely affect the reputation and operation of the Global Sweeteners Group.

### **Infringement of intellectual property rights in production process**

The technical knowhow adopted in the Global Sweeteners Group's production process has been developed by the Global Sweeteners Group or supplied by its partners (in the case of GCHF). Up to the Latest Practicable Date, the Directors are not aware of any claims for infringement of intellectual property rights by the Global Sweeteners Group. However, there is no assurance that there will not be any third party infringement claims against the Global Sweeteners Group in the future and any such claim may have significant adverse impact on the business and results of the Global Sweeteners Group.

### **Expansion via acquisitions of companies and assets**

The Global Sweeteners Group has acquired companies and assets as part of its growth strategy, for example, the acquisition of Changchun Dihao. It is the present intention of the Directors to make additional strategic acquisitions to further expand the Global Sweeteners Group's production capacity and coverage. However, there is no assurance that the Global Sweeteners Group will be able to identify appropriate acquisition targets or it may encounter competitive bids during the acquisition process and not able to complete such acquisitions. Even if an acquisition proceeds to completion, there is no assurance that the business acquired can be or will be integrated successfully into the operations the Global Sweeteners Group or that the Global Sweeteners Group can be or will be able to operate such business in a profitable manner. Furthermore, acquisitions by the Global Sweeteners Group may be subject to antitrust laws and regulations promulgated or to be promulgated by the PRC government from time to time. Failure to achieve the desired level of synergies in respect of any acquisition could have an adverse effect on the business, financial condition and results of operations of the Global Sweeteners Group.

### **Historical net current liabilities**

The Group recorded net current liabilities of about HK\$35.5 million, HK\$278.8 million, HK\$212.7 million and HK\$135.7 million as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. As at 31 July 2007, being the latest practicable date for the purpose of the

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## RISK FACTORS

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indebtedness statement prior to the printing of this prospectus, the Group had net current liabilities of about HK\$29.6 million according to the unaudited management account of the Group. The net current liability position during the Track Record Period was mainly attributable to the fact that the Group had relied on advances from its holding companies and fellow subsidiaries to finance its expansion and business growth. There is no assurance that the Group will always be able to maintain a net current asset position in the future.

### **Negative operating cash flow**

The Group's net cash inflow from operating activities decreased from about HK\$41.3 million for the year ended 31 December 2004 to an outflow of about HK\$50.4 million for the year ended 31 December 2005. The decrease in the net cash inflow was mainly due to the net increase in the amounts due from fellow subsidiaries of the Group as a result of the increase in sales to such subsidiaries, which were granted a relatively longer credit period of about 90 to 180 days, and a net increase in the amount due from the Jointly-controlled Entities as a result of additional balances arising from trading activities. There is no assurance that the Group can continue to increase its sales volume and/or implement effective credit control policy in relation to sales to related parties. In the event the Group fails to generate a net cash flow from its operating activities, the Group's financial position will be adversely affected.

### **Substantial leverage and related interest rate risks**

The gearing ratio as at 31 December 2004, 2005 and 2006 and 31 March 2007, calculated as the Group's total borrowings at the end of the year/period divided by total assets at the end of the corresponding year/period, was about 22.0%, 17.5%, 16.4% and 19.3%, respectively. If the Group incurs additional borrowings or the interest rates charged on the borrowings of the Group increase significantly, the risk associated with the leveraged position of the Group will intensify and the Group will require further financial resources to service its debts. In the event creditors of the Group do not continue to extend their facilities to the Group on similar or more favourable terms or the Group fails to obtain further external financing to fund its payment obligations or the Group cannot generate sufficient cash flow from its operations in the future to service its debt obligations, the Group's operation, financial condition and results may be adversely affected. Also, the Group's ability to fund capital expenditures or acquisition to realise an expansion opportunity may be jeopardised.

### **Fluctuation of gross profit margin**

The gross profit margin for HFCS continued to increase from about 13.3% for the year ended 31 December 2004 to about 34.2% for year ended 31 December 2006. Maltodextrin, one of the products of the Global Sweeteners Group, recorded a gross loss for the year ended 31 December 2004 but improved to a gross profit level and recorded a gross profit margin of about 14.1% for the year ended 31 December 2006. The gross profit margin for glucose syrup and maltose syrup remained within the range of about 15.9% to 21.7% and about 20.0% and 24.9%, respectively, during the Track Record Period. For the three months ended 31 March 2007, the gross profit margin for glucose syrup decreased slightly while those of maltose syrup and maltodextrin increased slightly as compared with those of the corresponding period in 2006 while the gross profit margin of HFCS decreased to about 21.0% from about 34.0% for the three months ended 31 March 2006.

There is no assurance that the Global Sweeteners Group can maintain the current level of the profit margins for its products. In the event of material unfavourable fluctuation to the prices of the products of the Global Sweeteners Group, the Group's profitability will be adversely affected.



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## RISK FACTORS

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### **Impairment of goodwill**

To further streamline the corporate structure of the GBT Group and the Global Sweeteners Group, during the period from March to August 2007, the Global Sweeteners Group underwent a series of corporate reorganisation, pursuant to which Global Sweeteners became the intermediate holding company of the Group's HFCS business, while GS (China) became the intermediate holding company of the Group's other corn sweetener business. As part of the Reorganisation, the Global Sweeteners Group also acquired the remaining 25% equity interest in Changchun Dihao from the GBT Group at the consideration of about HK\$180 million, which was determined with reference to the original acquisition cost of the GBT Group in respect of the 25% equity interest in Changchun Dihao through its acquisition of Dacheng Industrial in September 2005, and Changchun Dihao became a wholly-owned subsidiary of the Company. Details of such corporate reorganisation and acquisition are set out in the paragraph headed "Group reorganisation" in appendix V to this prospectus.

As a result of such acquisition, the Group recorded a goodwill of about HK\$150.0 million as at 31 December 2006. There is no assurance that Changchun Dihao will continue to perform at a similar level as the time of the acquisition. In the event the performance of Changchun Dihao deteriorates and the Directors consider that it necessary to write down the goodwill from the total assets of the Group, the operating result and total asset of the Group may be adversely affected.

### **RISKS RELATING TO THE INDUSTRY**

#### **Availability of substitutes in the market**

Sugar and starch sweeteners are two major natural sweeteners in the sweetener market. The Global Sweeteners Group operates in the corn sweetener industry, a sub-category of the starch sweetener industry, whose products are usually use as intermediate production materials by manufacturers, mainly engaged in the food and beverages, pharmaceutical, confectionery and chemical industries. Demand for corn sweeteners can be affected, among others, by the supply and prices of other sweetener products available in the market, including sugar. Should manufacturers in the food and beverages, pharmaceutical, confectionery and chemical industries choose to substitute corn sweeteners with sugar as a result of an increase in the prices of corn sweeteners, a shortage in supply of corn sweeteners, a decrease in the price of sugar or a perceived unfavourable impact on health for consuming corn sweeteners as compared with sugar, the Group's business and profitability may be adversely affected. At present, the executive Directors anticipate that sugar price will increase in the second half of 2007 based on the best information available to them, which may result in increased demand for HFCS or other corn sweeteners. There is no assurance that such expected price trend of sugar and demand for HFCS or other corn sweeteners will realise or that in the event the sugar price increases as expected the Global Sweeteners Group will benefit from such market movement.

#### **Environmental protection regulations and requirements**

The Global Sweeteners Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC and the prescribed standards relating to the discharge of wastewater, solid wastes, effluent and gases. The Global Sweeteners Group does not have its own wastewater treatment facilities in refinery factory located in Changchun. As such, wastewater generated was diverted to, and treatment of which was carried out, in the GBT Group's own production site in Changchun. During the Track Record Period, the Global Sweeteners Group has not been subject to any material claim for breach of environmental protection

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## RISK FACTORS

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regulations. However, there is no assurance that the environmental protection law will not be changed in the future. Should there be any change in the environmental protection requirements, the Global Sweeteners Group may incur additional cost in complying with the new law and regulations, which in turn adversely may affect the profitability of the Global Sweeteners Group. In addition, should the Global Sweeteners Group's production facilities fail to meet applicable environmental protection requirements from time to time, the Global Sweeteners Group may be required to take remedial measures which may in turn have an adverse effect on the operations of the Global Sweeteners Group.

### **Competition**

The Global Sweeteners Group's business faces increasing competition. Generally, any increase in profitability in the corn-based biochemical industry would be expected to attract more competition from both local and overseas producers who are also engaged in or interested to engage in the production of similar products manufactured by the Global Sweeteners Group. Increase in competition may have adverse effect on the sales and the selling price of the Global Sweeteners Group's products. As a result, profitability of the Global Sweeteners Group will be adversely affected.

### **Licences, certificates and permits required for the production of corn sweeteners in the PRC**

Under the PRC Food Hygiene Law (中華人民共和國食品衛生法), enterprises engaging in the manufacturing and operation of food products and food additive products in the PRC are required to obtain hygiene permit from the relevant PRC hygiene administrative authorities. In addition, under the Administrative Regulations for Registration of Export Food Manufacturing Enterprise (出口食品生產企業衛生註冊登記管理規定), enterprises engaged in the manufacturing, processing and/or storage of food products for export in the PRC are required to obtain the requisite hygiene registration certificate from the relevant supervising local important export inspection and quarantine authority established by the State Quality Supervision Inspection and Quarantine Bureau (國家質量監督檢驗檢疫總局).

The Global Sweeteners Group has obtained all necessary licenses, certificates and permits for the production and sale of the Global Sweeteners Group's present products. However, there is no assurance that the Global Sweeteners Group will be able to renew such licenses, certificates and permits upon their expiration. In addition, eligibility criteria for these licenses, certificates and permits may change from time to time and additional licenses, certificates and permits may be required and more stringent compliance standard may have to be observed. Introduction of any new laws and regulations or changes in the interpretation of any existing law and regulations may escalate the compliance cost for the Global Sweeteners Group, or prohibit the Group from, or result in the Group having to incur more costs to continue with, the operation of its business. Upon occurrence of such events, the Global Sweeteners Group's operations may have to be restricted and the Global Sweeteners Group's profitability would be adversely affected.

### **RISKS RELATING TO THE PRC**

#### **The state of the economy**

In recent years, the PRC economy has maintained rapid growth, and increases in GDP and per capita disposable income have strengthened residents' purchasing power, which in turn indirectly increases the demand for the Global Sweeteners Group's products. Since demand for the Global

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## RISK FACTORS

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Sweeteners Group's products is derived from the demand from their respective end-products, increases in GDP and per capita disposable income would have indirect favourable impact on the operating results of the Global Sweeteners Group.

In the event that there is unfavourable change in the economy of the PRC, indirect demand for the Global Sweeteners Group's products may decrease, which in turn adversely affect the operating results, financial position, business and prospects of the Global Sweeteners Group.

### **Foreign currency availability**

The Global Sweeteners Group currently receives all of its revenue and makes most of its payment in RMB. RMB currently is not a freely convertible currency. However, pursuant to 《結匯、售匯及付匯管理規定》 (for identification purpose only, in English, the Regulations on the Administration of Foreign Exchange Settlement, Payment and Sale), foreign exchange required for the payment of dividends that are payable to shareholders may be purchased from designated foreign exchange banks upon presentation of certain documentation such as the relevant board resolutions authorising the distribution of profits or dividends of the company concerned.

Under the current foreign exchange control system, there is no assurance that sufficient foreign currency will be available at a given exchange rate to satisfy the demand of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict the Global Sweeteners Group's ability to obtain sufficient foreign currency to pay dividends on the Shares or to satisfy its other foreign currency requirements.

### **Political structure and economic considerations**

Since 1978, the PRC government has been placing increasing emphasis on the utilisation of market forces to promote economic development. It has been reducing its direct control over the economy except for the adoption of annual and five-year plans in conjunction with other measures. This results in an increasing level of freedom and autonomy in the allocation of resources, production, pricing, and management. The PRC economy has been gradually transitioning to a market oriented economy. Furthermore, the PRC government is undertaking reforms on price restrictions to allow prices of certain commodities to be principally determined by market forces. Despite these government initiatives, there can be no assurance that the PRC government will continue this economic reform, and equally, the Global Sweeteners Group may not in all cases be favourably impacted by reforms or be able to capitalise on the opportunities created by this reform.

Any changes in the PRC government policy and the PRC's political, economic and social situation may adversely affect the operations and financial result of the Group. Such changes in government policy may be implemented through various means, including changing laws and regulations; implementing anti-inflationary measures; changing the tax rate or taxation system; and imposing additional restrictions on currency conversion and imports. Furthermore, given the PRC's largely export-driven economy, any changes in the economies of the PRC's principal trading partners and other export-oriented nations may adversely affect the operations and financial results of the Global Sweeteners Group.

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## RISK FACTORS

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### **Restrictions under the PRC law in relation to the payment of dividends by the Company's operating subsidiaries and the Jointly-controlled Entities in the PRC**

The Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in the subsidiaries and the Jointly-controlled Entities in the PRC. As a result of the holding company structure, the Company relies entirely on dividend payments from its subsidiaries and the Jointly-controlled Entities in the PRC. As stipulated under the PRC law, dividends may be paid only out of distributable after-tax profits, less any recovery of accumulated losses and allocations to statutory funds as required. Any distributable profits that are not distributed in a given year will be retained and available for distribution in subsequent years. The calculation of distributable profits under PRC accounting standards is different from the calculation under the HKFRSs in certain respects. As a result, the Company's operating subsidiaries and the Jointly-controlled Entities in the PRC may not have distributable profits as determined under PRC accounting standards, even if they have profits for that year as determined under the HKFRSs. Hence, the Company's operating subsidiaries and the Jointly-controlled Entities in the PRC may not be able to pay any dividends in a given year to the Company. Since the Company derives all of its profits from these operating subsidiaries and the Jointly-controlled Entities in the PRC, it may not have sufficient distributable profits to pay dividends to its Shareholders.

In addition, the PRC government imposes controls on the conversion of Renminbi into foreign currencies and the remittance of currencies out of the PRC. The Company may be unable to pay dividends if its subsidiaries and the Jointly-controlled Entities in the PRC are subject to restriction on the remittance of foreign currency.

### **Appreciation of the value of Renminbi**

All of the revenues of the Global Sweeteners Group and operating expenses are denominated in Renminbi, a currency not freely convertible into other currencies, except under certain circumstances. The value of Renminbi against other foreign currencies is subject to control measures from time to time implemented by the PRC government. From 1994 until 21 July 2005, the rate at which Renminbi was convertible into US dollars was fixed by the People's Bank of China at a stable rate of about RMB8.277 per US Dollar. From 21 July 2005, Renminbi was pegged to a basket of currencies instead. On 21 July 2005, this revaluation of the exchange rate resulted in Renminbi appreciating against the US dollar and HK dollar. There is no assurance that there may not be further revaluations of Renminbi against the US dollars and HK dollars. To the extent that Renminbi appreciates further against US dollars and HK dollars, the results of the operations of the Group which are presented in HK dollars, will increase, and to the extent that Renminbi depreciates in value, the results of the Global Sweeteners Group, as presented in HK dollars, will decrease.

### **Legal and other regulatory considerations**

The PRC's legal system is based on statute law, meaning that prior court decisions may be referenced but do not have legally binding power. Since 1979, the PRC government has made considerable progress in developing a comprehensive system of commercial laws. Laws have been promulgated to cover corporate organisation and governance, foreign investment, commerce, taxation, trade, and other areas; however, these laws, regulations, and legal requirements are relatively new, and published cases and judicial interpretations are limited. The uncertainty surrounding the relatively new commercial laws coupled with the lack of binding precedent in the statute-based legal system makes the interpretation and enforcement of PRC laws, regulations and legal requirements subject to material uncertainty.

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## RISK FACTORS

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### RISKS RELATING TO THE SHARES

#### Trading market for the Shares and the volatility of the market price

Prior to the Share Offer, there has been no public market for the Shares. The final Offer Price will be determined through negotiation between the Company and Goldbond Securities (on behalf of the Underwriters). This price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. In addition, there can be no guarantee that (i) an active trading market for the Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the Share Offer, or (iii) that the market price of the Shares will not decline below the final Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to various factors, including but not limited to:

- variations in the Global Sweeteners Group's operating results;
- changes in financial estimates by securities analysts;
- announcements made by the Global Sweeteners Group or its competitors; investors' perception of the Group and of the investment environment in Asia, including Hong Kong and the PRC;
- developments in the corn sweetener industry;
- changes in pricing made by the Global Sweeteners Group, its competitors or providers of alternative services;
- the depth and liquidity of the market for the Shares; and
- the general economy and other factors.

#### Shareholders' interests in the Company may be diluted in the future

The Global Sweeteners Group may need to raise additional funds in the future to finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

### OTHER RISKS

#### Statistics in this prospectus are derived from various government official sources and may not be the most up-to-date or accurate

Certain facts and official statistics set out in this prospectus are derived from various government official sources and are generally believed to be reliable. There is no guarantee as to the quality or reliability of such facts and statistics, as they have not been prepared or independently verified by the Company, the Sponsor, the Joint Lead Managers, the Underwriters or any of their affiliates, directors or advisors. The Company therefore make no representation as to the accuracy of

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## RISK FACTORS

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the facts and statistics contained in such government official sources, some of which may not be consistent with other information compiled within or outside the PRC. Due to possible flawed or ineffective collective methods or discrepancies between published information and market practice and other problems, the government official facts and statistics in the section headed “Industry overview” in this prospectus with respect to the PRC and its economy and the starch sweeteners market may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, there can be no assurance that the facts and statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

### **Forward-looking statements contained in this prospectus may not be accurate**

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “ought to”, “should” and “will”. Those statements include, among others, the discussion of the Global Sweeteners Group’s growth strategy and expectations concerning the Global Sweeteners Group’s future operations, liquidity and capital resources. Purchasers and subscribers of the Shares are cautioned that the forward-looking statements are based upon assumptions and are inherently subject to significant risks and uncertainties. Any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect and the forward-looking statements could be inaccurate for this reason or due to the other risks and uncertainties. The risks and uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other risks and uncertainties, purchasers and subscribers are cautioned not to place undue reliance upon forward-looking statements. The inclusion of forward-looking statements in this prospectus should not be regarded as guarantee of future performance or a representation or warranty by the Company that its plans and objectives will be achieved.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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### CONTINUING CONNECTED TRANSACTIONS

Members of the Group have entered into certain transactions, which would constitute non-exempt continuing connected transactions of the Company under the Listing Rules after the Listing. The Company has applied to the Stock Exchange for waivers from strict compliance with the relevant announcement and (if applicable) the shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such waivers are set out in the section headed "Continuing connected transactions" in this prospectus.

### MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The business and operation of the Global Sweeteners Group, including the production and sales of various corn sweeteners in the PRC, are located, managed and conducted in the PRC through its operating subsidiaries and Jointly-controlled Entities in the PRC. Most of its products were sold to customers based in the PRC. The Company will maintain an office in Hong Kong to monitor the administration and financial affairs of the Global Sweeteners Group. Save for Mr. Kong Zhanpeng, the Chairman of the Company and an executive Director, who holds a Hong Kong identity card and ordinarily resides in Hong Kong, no other executive Directors are Hong Kong residents nor ordinarily based in Hong Kong. The Company does not, and does not contemplate in the foreseeable future, that it will have any management presence (other than Mr. Kong Zhanpeng) in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In order to ensure that regular communication is maintained between the Stock Exchange and the Company, the Company has appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives of the Company are Mr. Kong Zhanpeng, the Chairman of the Company and one of the executive Directors, and Mr. Lee Chi Yung, the qualified accountant and company secretary of the Company, and both of them are ordinarily residents in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives has been authorised to communicate on behalf of the Company with the Stock Exchange. In addition, other than Ms. Ge Yanping, all other executive Directors have valid multi-entry visas to travel in and out of Hong Kong. The Company has been registered as an overseas company under Part XI of the Companies Ordinance, and Mr. Kong Zhanpeng has been authorised to accept service of legal process and notices in Hong Kong on behalf of the Company.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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Each of the authorised representatives will be provided means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. In order to further enhance the communication among the Stock Exchange, the authorised representatives and the Directors, the Company will implement the following policies:

- each executive Director will provide his office phone number, mobile phone number, residential phone number, fax number and email address to the authorised representatives and his/her alternate;
- in the event that an executive Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives and his/her alternate; and
- all the executive Directors and the authorised representatives will provide their office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and email addresses to the Stock Exchange; and
- if circumstances require, meeting of the Board will be summoned and held in such manners and on short notice as permitted under the articles of association of the Company to discuss and address any issues which the Stock Exchange is concerned in a timely manner.

The Company will also appoint a compliance advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the alternative channel of communication with the Stock Exchange for the period commencing from the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and, having made all reasonable enquiries, confirm that:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading;
2. to the best of their knowledge and belief, there are no other facts or matters the omission of which would make any statement in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Joint Lead Managers, the Underwriters or any of their respective directors, agents, employees or advisors or any other persons involved in the Share Offer.

### UNDERWRITING

The Share Offer comprises 30,000,000 Public Offer Shares initially available for subscription by the public under the Public Offer and 270,000,000 Placing Shares initially available for subscription by professional, institutional and other investors under the Placing, in each case at the Offer Price payable in full on application (plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee). This prospectus is published solely in connection with the Public Offer, and together with the application forms, set out the terms and conditions of the Public Offer.

Goldbond Capital is the Sponsor of the Share Offer. Goldbond Securities is the sole bookrunner, sole global coordinator and one of the Joint Lead Managers of the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters under the Underwriting Agreement and is subject to the Company and Goldbond Securities (on behalf of the Underwriters) agreeing on the Offer Price. The Placing is managed by Goldbond Securities and underwritten by the Placing Underwriters under the Underwriting Agreement. Information relating to the Underwriters and the Underwriting Agreement is set out in the section headed "Underwriting" in this prospectus.

### DETERMINATION OF THE OFFER PRICE

The final Offer Price is expected to be determined by agreement between the Company and Goldbond Securities (on behalf of the Underwriters) at or before 5:00 p.m. on 14 September 2007 (Hong Kong time) or such later time or date as may be agreed by Goldbond Securities (on behalf of the Underwriters) and the Company but in any event no later than 5:00 p.m. on 17 September 2007 (Hong Kong time). The Offer Price will not be more than HK\$2.04 per Offer Share and is expected to be not less than HK\$1.57 per Offer Share. Goldbond Securities (on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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morning of the last day for lodging applications. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of any such reduction. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications for the Public Offer, then if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn except where a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which limits the responsibility of that person for this prospectus, in which case applications made may be revoked on or before 10 October 2007. If, for any reason, the Offer Price is not agreed between the Company and Goldbond Securities (on behalf of the Underwriters) at or before 5:00 p.m. on 17 September 2007 (Hong Kong time), the Share Offer will not become unconditional and will lapse.

### RESTRICTIONS ON SALE OF SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other persons or parties involved in the Share Offer.

### United Kingdom

This prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the United Kingdom Financial Services Authority (“FSA”) pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) and has not been approved by or filed with the FSA. The Offer Shares may not be offered or sold and will not be offered or sold to the public in the United Kingdom (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of the FSMA does not apply to the Company. This prospectus is directed only at (i) persons outside the United Kingdom; or (ii) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) (the “FPO”); or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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trusts as described in article 40 of the FPO. Any investment or investment activity to which this prospectus relates is only available to and will only be engaged in with such persons and persons who do not fall within (i) to (iii) above should not rely on or act upon this prospectus.

### **Singapore**

This prospectus has not been lodged and will not be lodged as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

### **Japan**

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended) (“SEL”) and disclosure under the SEL has not been and will not be made with respect to the Offer Shares. The Offer Shares cannot be sold or offered, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term shall mean any person resident in Japan, incorporate any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan, except (1) pursuant to an exemption from the registration requirements of, and otherwise in compliance with SEL; and (2) in compliance with any other applicable laws, regulations and governmental guidelines of Japan.

### **Germany**

This prospectus is not being distributed in the context of a public offer of securities in Germany within the meaning of Section 2 no. 4 of the German Securities Prospectus Act (Wertpapierprospektgesetz, “WpPG”). This prospectus is not a Securities Prospectus (Wertpapierprospekt) within the meaning of WpPG and has neither been and will not be filed with or approved by the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). This prospectus or any other documents relating to the Offer Shares may not be distributed, and the Offer Shares may neither directly or indirectly be offered or sold in Germany other than either (i) to qualify investors as defined in section 2(6) of the WpPG; (ii) to other investors if they are required to purchase Offer Shares for a total amount of at least EUR 50,000; or (iii) otherwise to a limited group of investors as provided under Section 3(2) no. 2 of the WpPG.

### **Switzerland**

The prospectus does not constitute a public offering prospectus as that term is understood pursuant to Article 652a of the Swiss Code of Obligations. The Offer Shares may not be publicly offered or sold in Switzerland.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### **United Arab Emirates**

The Offer Shares have not been reviewed by or registered with the Emirates Securities and Commodities Authority, the Dubai Financial Services Authority, the U.A.E. Central Bank or any other governmental authorities in the United Arab Emirates, and have not been authorized or licenced for offering or marketing or sale in the United Arab Emirates. As such, the Offer Shares are not being offered or sold in the United Arab Emirates.

### **Cayman Islands**

No invitation may be made to the public in the Cayman Islands to subscribe for or purchase any of the Offer Shares.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue, and any Shares, representing 10% of the Shares in issue as at the Listing Date, to be issued upon exercise of options which may be granted under the Share Option Scheme.

No part of the share or loan capital of the Group is listed or dealt in on any other stock exchange and at present, the Group is not seeking or proposing to seek a listing of or permission to deal in the Shares on any other stock exchange.

### **ELIGIBILITY FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **HONG KONG BRANCH REGISTER OF MEMBERS**

All Shares in issue and to be issued pursuant to the Share Offer (including any Shares to be issued upon the exercise of the Over-allotment Option) and the Capitalisation Issue will upon Listing be registered on the Company's branch register of members to be maintained by Tricor Investor Services Limited in Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

### **STAMP DUTY**

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### PROFESSIONAL TAX ADVICE RECOMMENDED

If you are in any doubt as to the taxation implications of the subscription, purchasing, holding or disposing of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult your professional advisors.

None of the Company, the Sponsor, the Joint Lead Managers, the Underwriters and any of their respective directors, agents or advisors or any other parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, the purchase, holding or disposal of, dealing in, or the exercise of any rights, in relation to the Offer Shares.

### STABILISATION AND OVER-ALLOTMENT

In connection with the Share Offer, Goldbond Securities, as stabilising manager, may over-allocate the Shares and/or effect transactions in the market or otherwise with a view to stabilising or maintaining the market price of the Shares at such prices, in such amounts and in such manner as Goldbond Securities may determine and at levels which might not otherwise prevail in the open market for a limited period after the commencement of trading in the Shares. However, there is no obligation to conduct any such stabilising action which, if taken, may be discontinued at any time at the absolute discretion of Goldbond Securities.

In connection with the Share Offer, the Company has granted to the Placing Underwriters the Over-allotment Option under the Underwriting Agreement, which will be exercisable in full or in part by Goldbond Securities (on behalf of the Placing Underwriters) during the period commencing from the Listing Date until 30 days after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 45,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with over-allocations in the Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure of the Share Offer” in this prospectus.

### PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for applying for Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares and the Reserved Shares” in this prospectus and on the relevant applications forms.

### STRUCTURE OF THE SHARE OFFER

Details of the Share Offer, including its conditions, are set out under the section headed “Structure of the Share Offer” in this prospectus.

### PREFERENTIAL OFFERING

In order to enable the shareholders of GBT to participate in the Share Offer on a preferential basis as to allocation only, the Qualifying GBT Shareholders are being invited to apply for an aggregate of 15,000,000 Reserved Shares (representing about 5% of the Offer Shares and about 1.5% of the enlarged share capital of the Company upon completion of the Share Offer and the

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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Capitalisation Issue assuming that the Over-allotment Option is not exercised) in the Preferential Offering on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 154 GBT Shares held by them as at 5:00 p.m. on the Record Date. Holders of less than 154 GBT Shares as at 5:00 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. The Reserved Shares are being offered out of the Offer Shares being offered under the Placing.

Further details are set out under the paragraph headed “The Preferential Offering” in the section headed “Structure of the Share Offer” in this prospectus.

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**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER**

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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
KONG Zhanpeng (孔展鵬) (Chairman)	Flat E, 22nd Floor, Block 5 The Waterfront 1 Austin Road Tsimshatsui Kowloon Hong Kong	Chinese
ZHANG Fusheng (張福勝)	No. 601, Block 11, Wanke City Garden No. 4369 Ziyou Road Erdao District Changchun Jilin Province The PRC	Chinese
WANG Guifeng (王桂鳳)	Room 302, Block 8, Zhongxin Garden No. 178 Xian Road Luyuan District Changchun Jilin Province The PRC	Chinese
GE Yanping (葛艷萍)	Rom 102, Block 3 399 Shiping Road Minhang District Shanghai The PRC	Chinese
<i>Independent non-executive Directors</i>		
FUNG Siu Wan Stella (馮少雲)	Flat A, 35th Floor Winsome Park 42 Conduit Road Hong Kong	Canadian
YAN Man Sing Frankie (甄文星)	Room 604, Block 29 Heng Fa Chuen Chai Wan Hong Kong	British
HO Lic Ki (何力驥)	Flat C, 27th Floor, Tower 2 Robinson Heights 8 Robinson Road Hong Kong	Chinese
GAO Yunchun (高雲春)	No. 26 Xinhua Road Chaoyang District Changchun Jilin Province The PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED

<b>Sponsor</b>	Goldbond Capital (Asia) Limited 3902B, 39th Floor, Tower 1 Lippo Centre 89 Queensway Hong Kong
<b>Sole Bookrunner and Sole Global Coordinator</b>	Goldbond Securities Limited 3901B, 39th Floor, Tower 1 Lippo Centre 89 Queensway Hong Kong
<b>Joint Lead Managers</b>	Goldbond Securities Limited 3901B, 39th Floor, Tower 1 Lippo Centre 89 Queensway Hong Kong  DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong
<b>Public Offer Underwriters</b>	Goldbond Securities Limited 3901B, 39th Floor, Tower 1 Lippo Centre 89 Queensway Hong Kong  DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong  BOCOM International Holdings Company Limited 3rd Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong  CCB International Capital Limited Suites 2815–21, 28th Floor Two Pacific Place 88 Queensway, Admiralty Hong Kong  CIMB-GK Securities (HK) Limited 25/F, Central Tower 28 Queen's Road Central Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Dao Heng Securities Limited  
12th Floor, The Center  
99 Queen's Road Central  
Hong Kong

Mitsubishi UFJ Securities (HK) Capital, Limited  
11/F, AIG Tower  
1 Connaught Road, Central  
Hong Kong

OSK Asia Securities Limited  
12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong

Shenyin Wanguo Capital (H.K.) Limited  
28th Floor, Citibank Tower  
Citibank Plaza  
3 Garden Road, Central  
Hong Kong

Taiwan Securities (Hong Kong) Company  
Limited  
Room 1302-5, 13/F  
Tower II, Admiralty Centre  
18 Harcourt Road  
Hong Kong

### Placing Underwriters

Goldbond Securities Limited  
3901B, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

DBS Asia Capital Limited  
22nd Floor, The Center  
99 Queen's Road Central  
Hong Kong

BOCOM International Holdings Company  
Limited  
3rd Floor  
Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

CIMB-GK Securities (HK) Limited  
25/F, Central Tower  
28 Queen's Road Central  
Hong Kong

Mitsubishi UFJ Securities (HK) Capital, Limited  
11/F., AIG Tower  
1 Connaught Road, Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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	Taiwan Securities (Hong Kong) Company Limited Rm 1302-5, 13/F Tower II, Admiralty Centre 18 Harcourt Road Hong Kong
<b>Legal advisors to the Company</b>	<i>As to Hong Kong Law</i> Chiu & Partners 41st Floor Jardine House 1 Connaught Place Central Hong Kong  <i>As to PRC Law</i> Global Law Office 37th Floor, Jing Guang Center Hu Jia Lou Chaoyang District Beijing 100020 PRC  <i>As to Cayman Islands Law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 KY1-1111 Grand Cayman Cayman Islands
<b>Legal advisors to the Sponsor and the Underwriters</b>	<i>As to Hong Kong Law</i> Troutman Sanders 34th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Auditors and reporting accountants</b>	Ernst & Young <i>Certified Public Accountants</i> 18th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Property valuer</b>	Savills Valuation and Professional Services Limited 23rd Floor Two Exchange Square Central Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Compliance advisor**

Goldbond Capital (Asia) Limited  
3902B, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

**Receiving banker**

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in the PRC</b>	No. 886 Xi Huan Cheng Road Changchun Jilin Province China
<b>Principal place of business in Hong Kong</b>	Unit 4109, 41st Floor Jardine House 1 Connaught Place Central Hong Kong
<b>Website of the Company</b>	<a href="http://www.global-sweeteners.com">www.global-sweeteners.com</a>
<b>Company secretary</b>	Lee Chi Yung, <i>ACCA, HKICPA</i>
<b>Qualified accountant</b>	Lee Chi Yung, <i>ACCA, HKICPA</i>
<b>Authorised representatives</b>	Kong Zhanpeng Flat E, 22nd Floor, Block 5 The Waterfront 1 Austin Road Tsimshatsui Kowloon Hong Kong  Lee Chi Yung Flat B, 29th Floor, Block 10 Ocean Shores 88 O King Road Tseung Kwan O Hong Kong
<b>Authorised person to accept service of process and notice under Part XI of the Companies Ordinance</b>	Kong Zhanpeng
<b>Audit committee</b>	Yan Man Sing Frankie ( <i>Chairman</i> ) Fung Siu Wan Stella Ho Lic Ki Gao Yunchun
<b>Remuneration committee</b>	Kong Zhanpeng ( <i>Chairman</i> ) Yan Man Sing Frankie Gao Yunchun

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## CORPORATE INFORMATION

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**Principal banker**

Agricultural Bank of China  
Changchun City, Da Cheng  
886 Xi Huan Cheng Road  
Changchun  
Jilin Province  
China

**Cayman Islands principal share registrar  
and transfer office**

Bank of Bermuda (Cayman) Limited  
36C Bermuda House  
3rd Floor  
British American Tower  
Dr. Roy's Drive  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

**Hong Kong branch share registrar and  
transfer office**

Tricor Investor Services Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

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## INDUSTRY OVERVIEW

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Information set out in this section and in other sections of this prospectus are extracted from the DRC Report prepared by DRC at the commission of the Group, and information published by the CFIA and the CSA. The following is a brief summary of the background of DRC, CFIA and CSA.

### **DRC**

#### *Business and background*

DRC is directed by the Development Research Center of the State Council and provides a service platform for gathering professional economic information. It relies on the information resources as well as the lineup of experts with Development Research Center of the State Council by closely cooperating with various renowned domestic and foreign research institutions and information centers, comprehensively collects and re-presents the research results and data in the areas of economy and finance.

Throughout the years, DRC has established a large-scale economic database while released series of information products including DRCnet Report, Macroeconomic Report, Finance China, Industry Economic Report, Financial and Economic Database-Statistical Database for Various Industries and so on.

#### *Engagement with the Group*

In June 2006, the Group engaged DRC to conduct the industry research on sugar and starch sweeteners. The key deliverables of the DRC Report, among others, include production, consumption and price for different types of sugar and starch sweeteners as well as the raw material for producing corn sweeteners in the world and the PRC markets. The Group paid a total amount of HK\$156,000 to DRC for the DRC Report.

The approach of DRC was to develop data based upon data published by the PRC and the United States government, government agencies, trade associations and data from current DRC industry studies. Majority of data are sourced from United States Department of Agriculture, Food and Agriculture Organisation of United Nations, China National Bureau of Statistics, China Custom, CFIA, CSA, 中糧期貨 (COFCO) and DRC's own research.

### **CFIA**

According to the description from the official website of CFIA, CFIA was approved to be registered by 中華人民共和國民政部 (the Ministry of Civil Affairs of the PRC) in January 1990. CFIA comprises enterprises engaged in the production of bio-technological products using fermentation technique or the provision of equipment in relation to the fermentation process, relevant institutions and colleges, and other volunteer entities. The main activities of CFIA is, among others, to promote new products and techniques, to organise industrial events, and to provide market information and consulting services in relation to the fermentation industry. CFIA is independent of the Global Sweeteners Group and the GBT Group.

### **CSA**

According to the description from the official website of CSA, CSA was a self-help juridical association organization approved to be registered by the Ministry of Civil Affairs of the PRC in June 1992. The members of the association include some enterprises and facilities units concerned

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## INDUSTRY OVERVIEW

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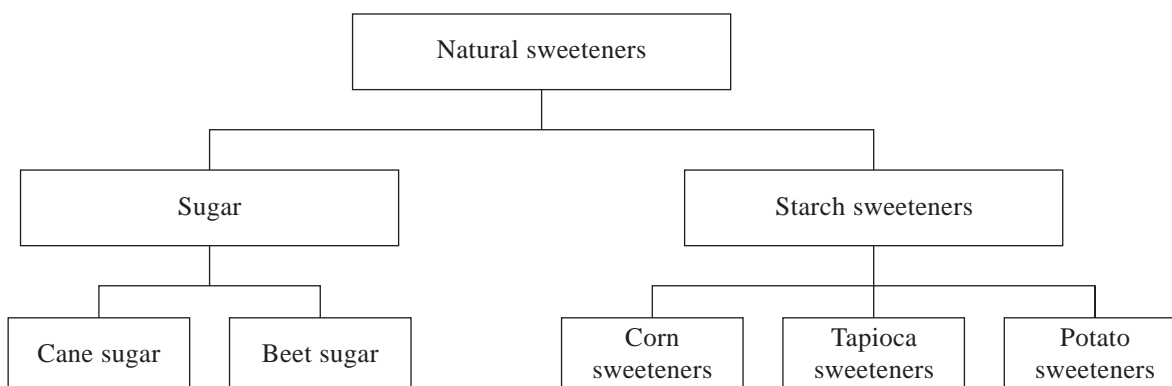
with the sugar industry such as farming, trade, foreign trade, science and research, education, and design and installation, etc. CSA is independent of the Global Sweeteners Group and the GBT Group.

### OVERVIEW

The Global Sweeteners Group operates in the corn sweetener industry whose products are usually used as intermediate production materials by manufacturers, mainly engaged in the food and beverages, pharmaceutical, confectionery and chemical industries. Demand for corn sweeteners are principally affected by (i) their prices, which are partly affected by the prices of corn starch, the major production material for producing the Global Sweeteners Group's products, which in turn is affected by the prices of corn; (ii) the supply and prices of other sweetener products available in the market; and (iii) the governmental policy of a country relating to the import and export of such products.

### SWEETENERS

The sweetener market comprises an array of sweetener products produced from natural sources or synthesised through chemical procedures. However, natural sweetener products remain as the more widely used sweeteners. Major natural sweetener products are set out in the following chart:



Sugar and starch sweeteners are two major natural sweeteners in the sweetener market produced from different raw materials. They have different degree of sweetness, solubility and other chemical characteristics, and have various applications in many different industries throughout the world.

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## INDUSTRY OVERVIEW

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According to the DRC Report, world consumption of sugar amounted to about 146,000,000 tonnes and starch sweeteners was over 17,000,000 tonnes in terms of sugar sweeteners equivalent (*Note*) tonnes for the year ended 31 December 2006. Consumption of sweeteners other than sugar and starch sweeteners accounted for about 20% to 25% of total sweeteners consumption in the world in terms of sugar sweetness equivalent (*Note*).

According to the DRC Report, consumption of sugar and starch sweeteners in the PRC was about 11,200,000 tonnes and 5,000,000 tonnes, respectively for the year ended 31 December 2006, and consumption of sweeteners other than sugar and starch sweeteners accounted for about 25% of total consumption of sweeteners in terms of sugar sweetness equivalent (*Note*) according to the DRC Report.

### **Sugar**

Sugar is commercially extracted from sugarcane or sugar beet, either of which is partly composed of sucrose, a sugar which can be found naturally in all fruit and vegetables. Sugar is valued for its sweet taste, its contribution to food texture and colour as well as its preservative nature, and thus is an important and versatile ingredient in food industries. It is also widely used in many non-food industries, like the chemical industry and the textile industry. Sugar can also be applied in the production of alcohol, cement, glues, polyurethane, cosmetics and detergents.

Cane sugar is produced from sugarcane, which grow in tropical and sub-tropical regions. Brazil, India, European Union, the PRC and the United States are the major producers of cane sugar in the world. The aggregate production of these producers accounts for more than 50% of the world cane sugar supply. Cane sugar is widely used globally.

Beet sugar is produced from sugar beets, which grow in regions with temperate climates, mainly in western, central and eastern Europe, the United States, China and Japan. The European Union, the United States and the PRC are the largest beet sugar producers in the world. According to the DRC Report, the current world production ratio of cane sugar to beet sugar is about 6:4.

### **Starch sweeteners**

Starch sweeteners refer to a wide range of carbohydrates, including, but not limited to, glucose syrup, fructose syrup, maltose syrup and their mixtures obtained from hydrolysis of starch using different enzymes. Corn, tapioca and potato are the major raw materials used for the commercial production of starch. Quality of starch sweeteners depends, to a great extent, on the sophistication and complexing of the production processes including the application of enzymes, processes and equipment used during production.

Starch sweeteners, especially fructose syrup, crystallised glucose and maltose syrup, are widely used as substitute for sugar in food and beverage. According to the DRC Report, fructose syrup not only has similar level of sweetness as sugar but also has a fruity favor and therefore has become the most widely used starch sweetener in the PRC. Besides being a substitute for sugar, starch sweeteners have a lot of different applications in the food and non-food industries. For example,

*Note:* For non-sugar sweeteners, due to their highly diversified levels of sweetness, their respective consumption volume is usually calculated as the volume of sugar to be consumed to reach the same level of sweetness, and expressed in terms of “sugar sweetness equivalent”. For example, sweetness of starch sweeteners is equivalent to 0.5 to 1.5 times of that of sugar, and world consumption of starch sweeteners in 2006 was about 17,000,000 tonnes in terms of sugar sweetness equivalent.



## INDUSTRY OVERVIEW

dextrose, a glucose derivative, is used for the production intravenous injection solution and as a raw material for the production of vitamin C in the pharmaceutical industry and sorbitol, another starch sweetener, is used in the production of toothpaste, cosmetics, chewing gum and vitamin C.

Although sugar remained to be the most commonly used sweetener in the world, in regions where starch is more abundant, due to the lower raw material costs, starch sweeteners are increasingly being used as a substitute for sugar. Demand for starch sweeteners is even higher than sugar in certain industries the United States, the largest corn producer in the world.

### WORLD SWEETENERS MARKET

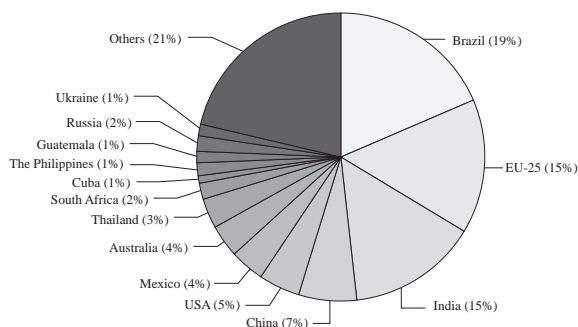
#### Sugar

According to the United States Department of Agriculture, there are currently over 100 sugar producers in the world and 7 of them have annual production of more than 5,000,000 tonnes. The global sugar production amounts to about 144 million tonnes per annum whilst the global sugar consumption is about 143 million tonnes per annum and the international import volume is about 44 million tonnes per annum in 2005–2006.

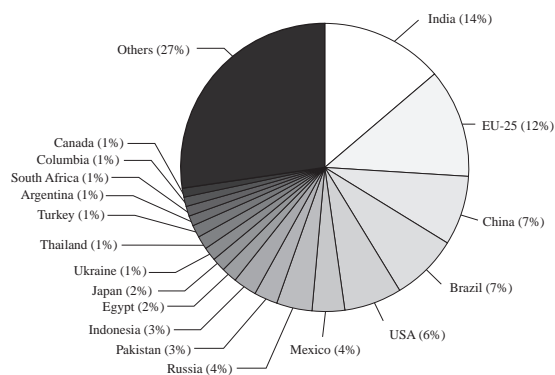
Brazil, India, the European Union, the PRC, the United States are the major sugar producers in the world. India, the European Union, the PRC, Brazil and the United States were the five largest sugar consumers in the world in 2005–2006 and they together account for about 48% of the world sugar consumption. Russia, the European Union and the United States were the world largest importers of sugar while Brazil, the European Union and Australia were the largest sugar exporters in 2005–2006 according to the data from the Department of Agriculture of the United States.

The following charts illustrate the market share of each producer in terms of world annual sugar production volume and consumption in 2005–2006:

**Annual sugar production volume  
(October 2005/September 2006)**



**Annual sugar consumption level  
(October 2005/September 2006)**



Source: The United States Department of Agriculture

As shown in the charts above, Brazil has the largest annual sugar production volume in the world in 2005–2006. With abundant supply of raw material (i.e. sugarcane), low processing cost and preferential government policies in relation to the production of cane sugar, the annual sugar production and export volume of Brazil has been persistently increasing. According to the information from the United States Department of Agriculture, Brazil had the largest annual export

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## INDUSTRY OVERVIEW

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volume of sugar, amounting to about 34% of total export of sugar in the world based on the market share of global exports during the period between October 2005 to September 2006. According to the forecast from the United States Department of Agriculture, the annual sugar production volume and export volume of Brazil is expected to increase to about 31.6 million tonnes and about 20.3 million tonnes respectively in 2006–2007.

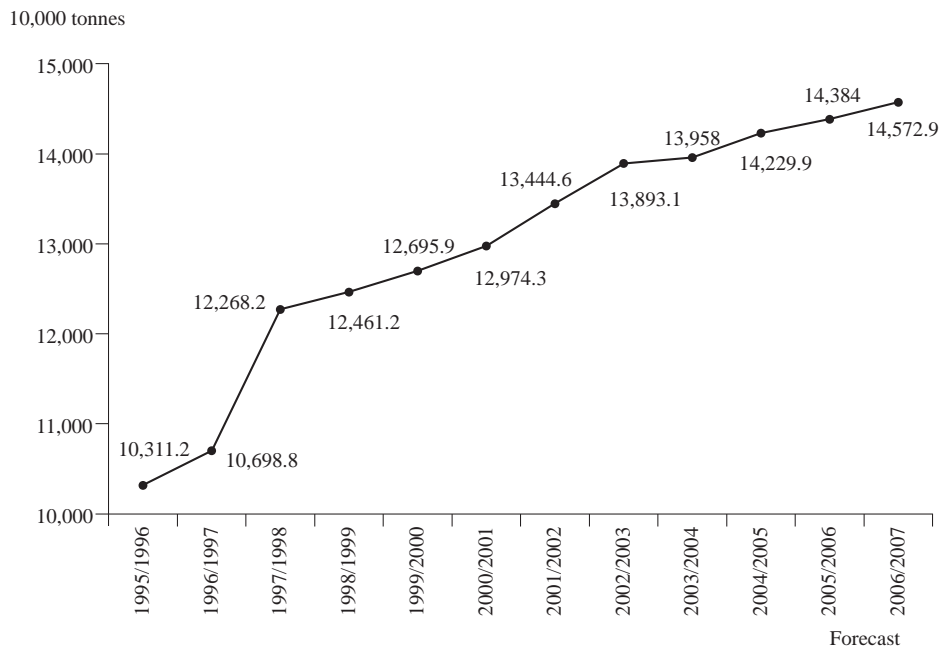
Although Brazil has been one of the largest sugar producers in the world and its sugar production and export volume has been increasing, it is not certain whether the sugar supply from Brazil will remain stable in the future. The Brazilian cane sugar supply to the international sugar market is also greatly dependent on the demand of cane sugar in other aspects, for example, the demand of cane sugar in ethanol production for substituting or blending with gasoline. As cane sugar is one of the major production materials for the production of ethanol, the supply of cane sugar to the sugar market could be adversely affected. Since part of the cane sugar supply is diverted to ethanol production, any change in ethanol demand will indirectly affect the cane sugar supply and price in the world sugar market. Recent increase in world fuel oil price lead to an increase in demand for bio-energy. According to the DRC Report, the proportion of cane sugar produced being used for the production ethanol in Brazil in 2007 is expected to increase from 49% to over 50%, which is likely to affect the world sugar prices.

Furthermore, according to the DRC Report and the data from the United States Department of Agriculture, the world sugar consumption has been increasing steadily at a pace of about 1–2% per annum in the last 10 years and is expected to grow at the same rate in the coming future due to increasing demand. The international sugar reserve, on the other hand, has recorded a decline since 2003 due to the increase in world refined sugar consumption and decrease in sugar supply in some of the major sugar producers. With the growing world sugar demand and decline in international sugar reserve, the world sugar price has been experiencing an upward pressure and reached historical high in 2006. Nevertheless, sugar price is very volatile and is affected by many factors, including but not limited to the supply and demand of sugar, the speculations in the sugar market and changes in government policies. Fluctuations in sugar price are expected in the event of changes in those factors.

## INDUSTRY OVERVIEW

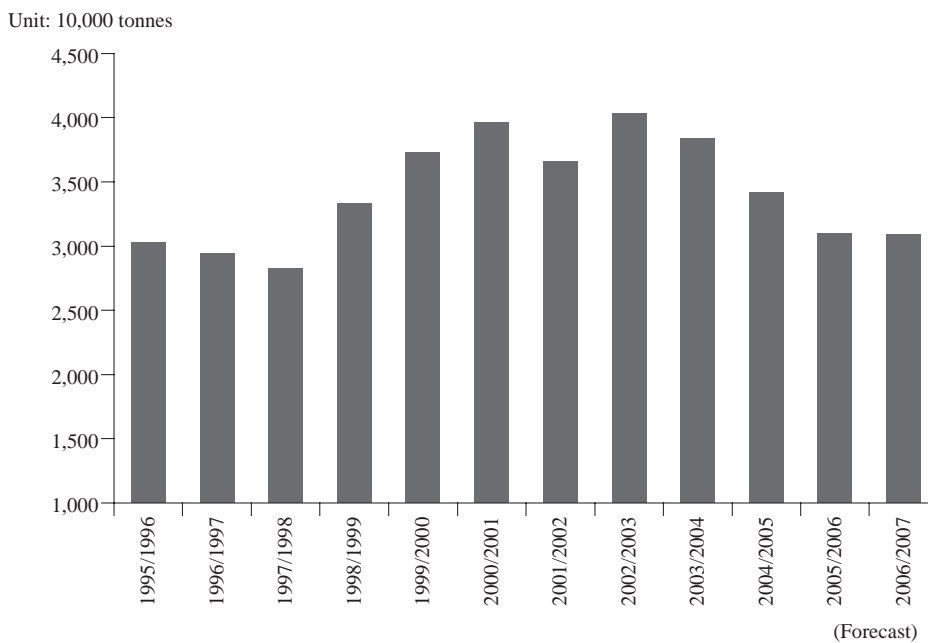
The following charts illustrate the consumption, reserve and price of sugar in the world market.

**World sugar consumption  
(October 1995/September 1996–October 2006/September 2007)**



Sources: The United States Department of Agriculture from the DRC Report

**World sugar reserve  
(October 1995/September 1996–October 2006/September 2007)**



Source: The United States Department of Agriculture from the DRC Report

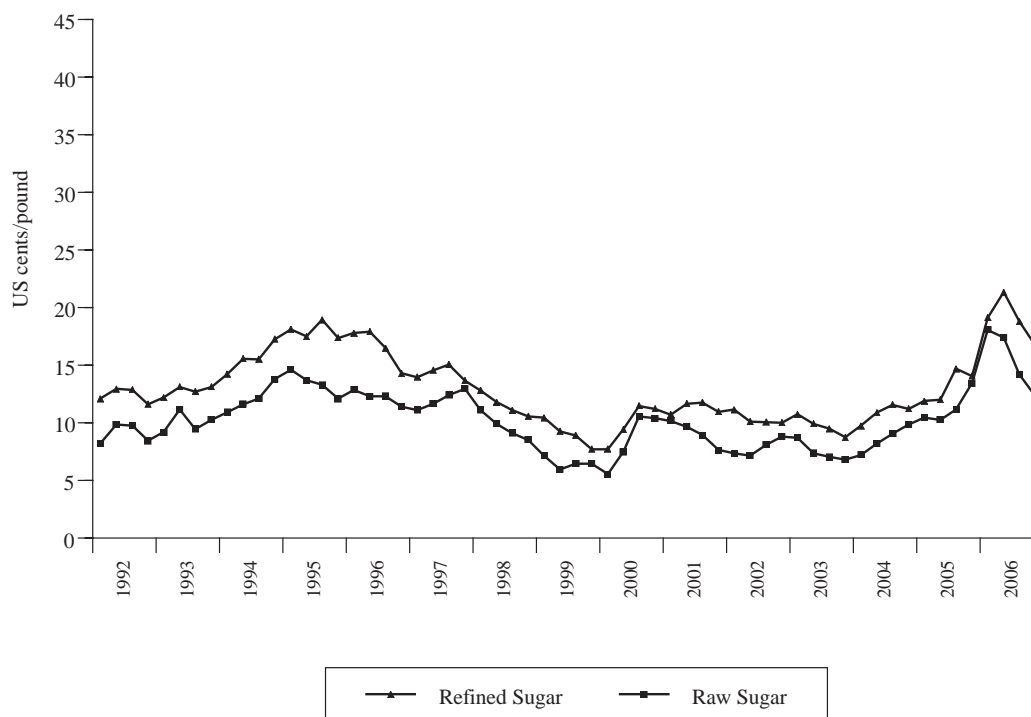
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## INDUSTRY OVERVIEW

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The following chart illustrates the price trend of the sugar from 1992 to 2006:

**Quarterly Sugar Price (1992–2006)**



*Source:* The United States Department of Agriculture

According to the DRC Report, world sugar price has increased continuously over the last decade in general, mainly due to the increase in world sugar demand and decrease in world supply of sugar as a result of unfavourable weather condition and reformation of EU's sugar exporting policy, and increase in oil price resulting in certain amount of raw sugar to be used for the production of ethanol. During the time when high sugar prices are high, food and beverage producers and other sweetener consumers have increased the use of starch sweeteners as an alternate to cane sugar to off-set the increase in cost of production. As starch sweeteners demand is closely related to the world sugar price, increases in sugar price will likely to cause increase in the world starch sweeteners demand and thus the increase in world starch sweeteners price.

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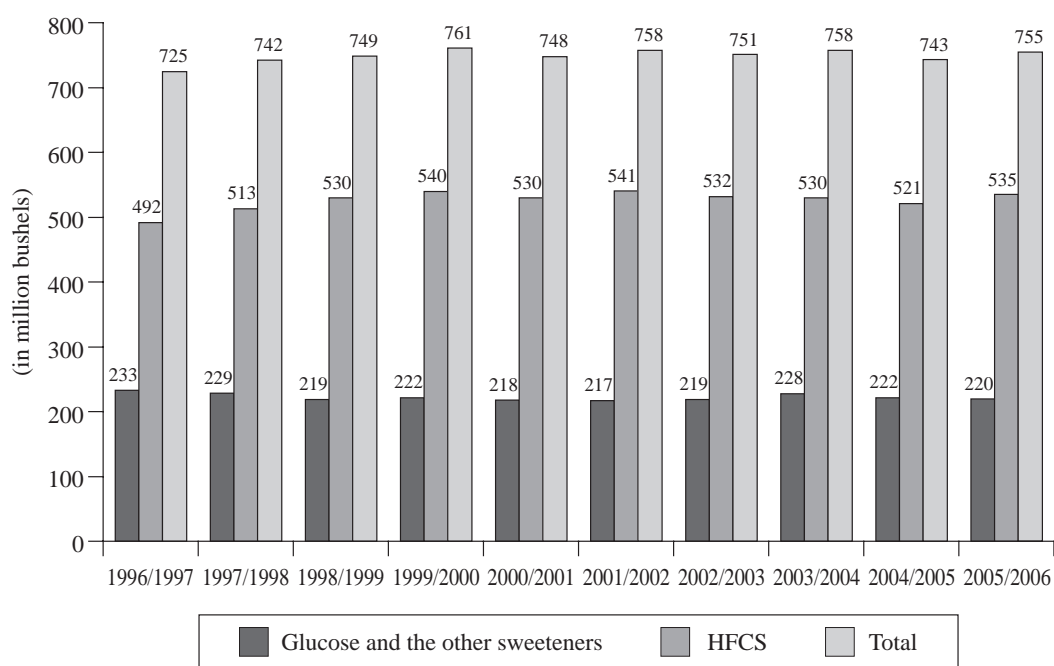
## INDUSTRY OVERVIEW

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### Starch sweeteners

Consumption pattern of sweeteners varies from region to region. In most countries, corn sweeteners are usually used as supplement to sugar. However, corn sweeteners have been used as major sweeteners in the United States because of their low prices as the United States government subsidises corn production which lower its production cost. The United States is the largest starch sweetener producer. According to the DRC Report, starch sweeteners consumption per person in the United States was about 64 kilogrammes in 2005, more than that of sugar which was at about 36 kilogrammes. The annual production volume of starch sweetener in the United States reached 755 million bushels, of which about 70% was HFCS, in 2005. The following chart illustrates production pattern in the United States:

**Annual production volume of HFCS and glucose and the other sweeteners in United States  
(October 1996/September 1997–October 2005/September 2006)**



*Source:* The United States Department of Agriculture from the DRC Report

As shown in the chart, HFCS is the major starch sweetener produced in the United States in the past 10 years. HFCS is widely used in the United States due to its price is lower than sugar. The cost advantage of the HFCS to sugar stems from the lower price of its raw material — corn. The United States is the largest corn producer in the world and the United States government is heavily subsidising corn production due to political reasons. The subsidies drives down the corn price and thus lower the production cost of HFCS and its price in the United States.

Soft drink producers have been using HFCS as a substitute for sugar in the production of soft drink to lower the production costs. Similar trends can be observed in other regions. International renowned soft drinks producers have used HFCS as production material for their soft drinks. Besides

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## INDUSTRY OVERVIEW

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HFCS, glucose syrup, crystallised glucose and dextrose are the major types of starch sweeteners used in the United States. These starch sweeteners together take up a huge portion of the sweeteners market of the United States.

### THE PRC SWEETENERS MARKET

#### Sugar

##### *Production*

The PRC ranked as the fourth largest sugar producer in the world during the 10 years upto 2006–2007, producing about 11.2 million tonnes of sugar in that year, according to the data from the Department of Agriculture of the United States quoted by the DRC Report. The sugar production in the PRC is generally affected by the climate, occurrences of any catastrophic events, the growing cycles of sugarcane as well as the fluctuations of sugar prices. Changes in sugar prices affect the production size of sugar crops as farmers' incentive to produce is directly affected by their perception of the crops' economic values to them.

##### *Consumption*

The PRC is not only one of the largest sugar producers of the world, but also one of the largest sugar consumers of the world. Data from the Department of Agriculture of the United States indicates that the PRC ranked as the third largest sugar consumer in the world with consumption of about 11.2 million tonnes from October 2005 to September 2006. The rapid development of the PRC domestic food processing, beverages and food industries in recent years have provided a steady increase to sugar demand. The PRC food and beverage industry has experienced an increased consumption of sugar at a rate of about 17% per year in recent years, of which beverages, candies and canned food manufacturing are the major drivers of such growth. Since 2004, sugar demand in the PRC exceeded its domestic supply by 1.5 million to 2 million tonnes per annum and the PRC has become one of the largest sugar importer of the world. Sugar, as a sweetener but not a food component, has limited consumption range. Therefore, a relatively small change in the quantity of supply will result in a relatively large change in price. The increasing demand led to the increase in the PRC domestic sugar price and caused some of the consumers of sugar to use starch sweeteners as a substitute.

##### *Price*

According to the DRC Report, the price of sugar in the PRC is mainly affected by, among others, demand and supply of sugar, supply of raw materials and international sugar prices.

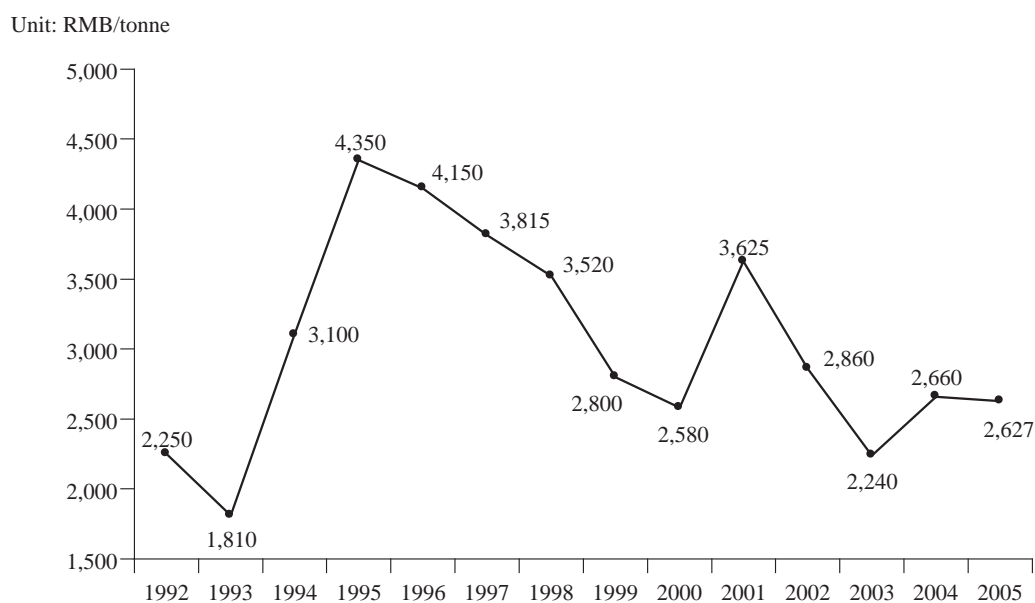
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## INDUSTRY OVERVIEW

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According to the DRC Report, the PRC sugar market is closely connected to the world market as the PRC is one of the largest sugar importers in the world with an average annual import and net import of about 12 million tonnes and 10 million tonnes for the recent five years, respectively. Accordingly, external factors such as fluctuation in the world sugar price will affect the PRC sugar price. Historical data also shows that the imbalance between sugar import and the excess domestic demand which cannot be met by domestic supply has affected the PRC sugar price. Import of sugar is related to the government policies, for instance, being a member of the World Trade Organisation, the PRC has abolished trade quotas and lowered the tariff levied on imported sugar, which resulted in an increase in import and a sharp decrease in sugar price from 2001 to 2003. Changes in government policies are very likely to have significant effects on the PRC sugar market and sugar price. The chart below illustrates the historical sugar price in the PRC market from 1992 to 2005.

**The PRC monthly average sugar price (1992–2005)**



*Source:* CSA from the DRC Report

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## INDUSTRY OVERVIEW

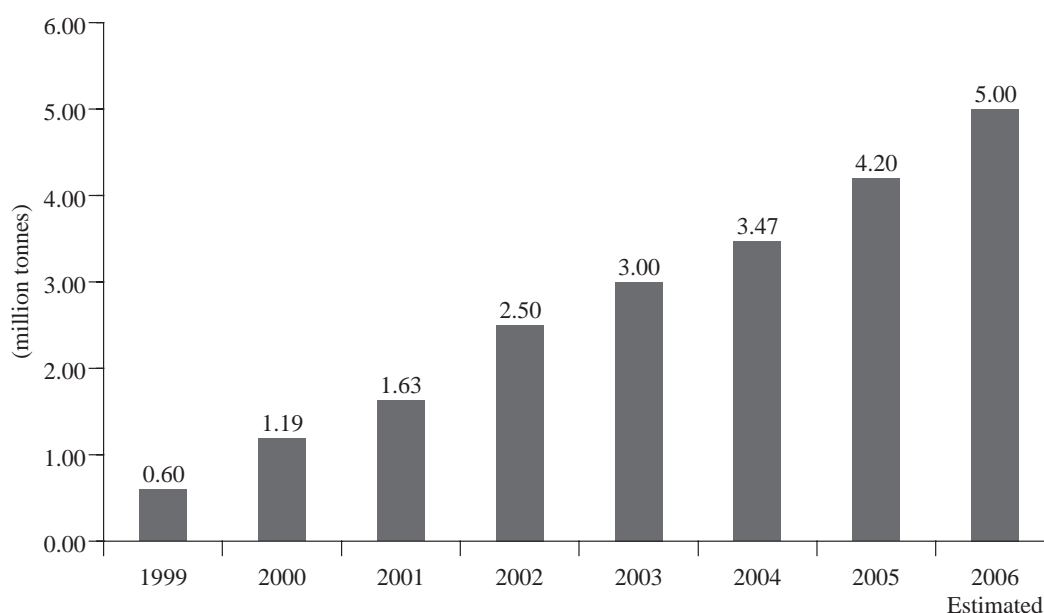
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### Starch sweeteners

#### *Production*

Corn sweeteners represent the vast majority of the starch sweeteners produced and used in the PRC. According to the CFIA, the designed production capacity of corn sweeteners in 2005 was about 6.0 million tonnes and actual production volume in the PRC increased from about 0.6 million tonnes to about 4.2 million tonnes during the period between 1999 and 2005. From 2004 to 2005, the total annual starch sweetener production in the PRC increased by about 21.0% in a single year. The following chart illustrates the annual production volume of starch sweeteners in the PRC for the aforementioned period with projected figure for 2006:

**Annual starch sweeteners production volume in the PRC (1999–2006)**



*Source:* CSA from the DRC Report

Advance in production technologies and enhancement of efficiency and quality in production throughout the years have contributed to the development of corn sweeteners market and brought about the decrease in average corn sweeteners production cost which increased the competitiveness of corn sweeteners in the PRC sweeteners market.

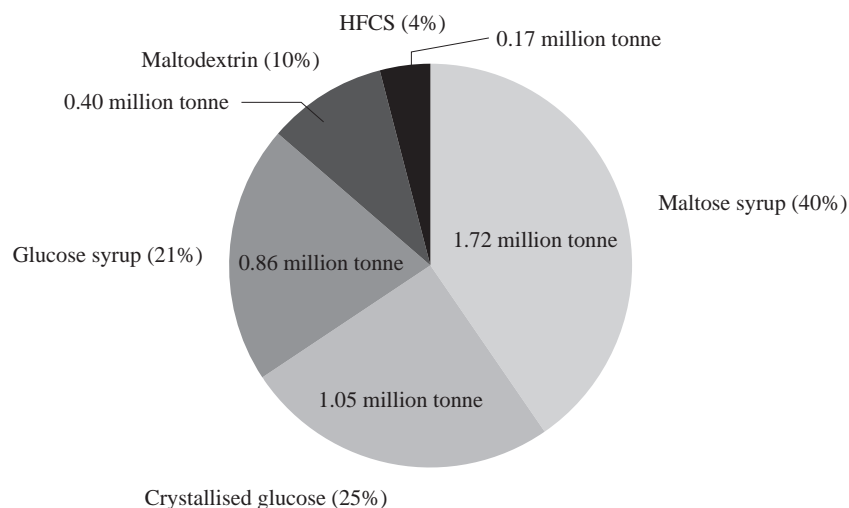


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## INDUSTRY OVERVIEW

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In addition to improvement in production technology and quality enhancement, a number of new corn-refined products had been developed in the PRC. More variety of corn sweeteners were introduced, but certain types continue to dominate the PRC market. According to CFIA, there are about 27 types of starch sweeteners in the PRC market in 2005. The chart below illustrates the breakdown by production volume of the major types of starch sweetener products produced in the PRC during 2005:



*Note:* The production of sorbitol in the PRC in 2005 is about 0.42 million tonnes according to the DRC Report. It is not included in the starch sweeteners production in the statistic from CFIA.

*Source:* CFIA from the DRC Report

As shown in the chart above, compared to the production volume of other starch sweetener products, the PRC production volume of maltose syrup was the largest, amounting to about 1.7 million tonnes in 2005, representing 40% of the starch sweetener market in terms of production volume due to its wide application in various industries. Furthermore, there is an increasing trend for demand for high DE value maltose syrup due to its wide application, for example, in the production of brewing material.

### *Major corn sweeteners producing areas*

The production of corn sweeteners in the PRC is highly concentrated. According to the data from CFIA, there were 525 corn sweeteners producers in the PRC, among which 34 producers have production capacities of 30,000 tonnes per annum or above and eight producers have production capacities of 200,000 tonnes per annum or above accounting for over 90% and 54% of the aggregate production capacity of corn sweeteners of the PRC.

Most starch sweetener producers are located at the northern region of the PRC, particularly Jilin, Shandong and Hebei provinces, with abundant supply of corn for their use in the production of starch. Locating at the major corn producing regions not only ensure ready supply of raw materials for the corn sweetener producers, but also allow them to minimise the transportation cost. In 2005, corn starch production volume of Jilin, Shandong and Hebei provinces accounted for about 80% of the total supply of corn starch in the PRC. According to the National Bureau of Statistics of China, Jilin province was the largest corn production province in the PRC in 2005.

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## INDUSTRY OVERVIEW

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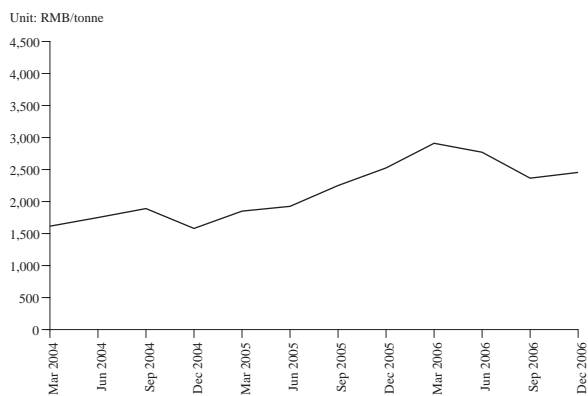
### Consumption

According to the DRC Report, starch sweeteners are mainly consumed in the food and beverages, pharmaceutical and paper manufacturing industries in recent years. Besides, a certain portion of crystallised glucose, glucose syrup and maltose syrup have been consumed as intermediary materials for further refinery into bio-chemical products such as monosodium glutamate (MSG) and other bio-fermentation products. In 2005, the per capita annual starch sweetener consumption is about 3.8 kilogrammes, which represented about 27.6% of total per capita sweetener consumption in the PRC. There are factors contributing to the increasing trend of demand for starch sweeteners in the PRC market, including but not limited to (i) the steady increase in demand for sugar at about 5% per annum due to the increase in per capita consumption of sugar and the growing population in the PRC, according to the DRC Report; and (ii) cost-competitiveness of starch sweeteners with the emergence of large PRC starch sweetener producers in recent years, economies of scales and enhanced production technology lowered the production cost and as upgraded product quality. According to 《中國食物與營養發展綱要(2001—2010)》 published by State Council of the PRC in 2001, the per capita annual cane sugar consumption was expected to increase from 7 kilogrammes in 2000 to 9 kilogrammes in 2010, representing a less than 30% growth. Therefore, the consumption growth rate of starch sweeteners is expected to be higher than that of cane sugar in the PRC. As the sugar price has been increasing since 2005, manufacturers of various kinds of products using sweeteners as intermediate production materials, have started to use starch sweeteners as an alternate to cane sugar.

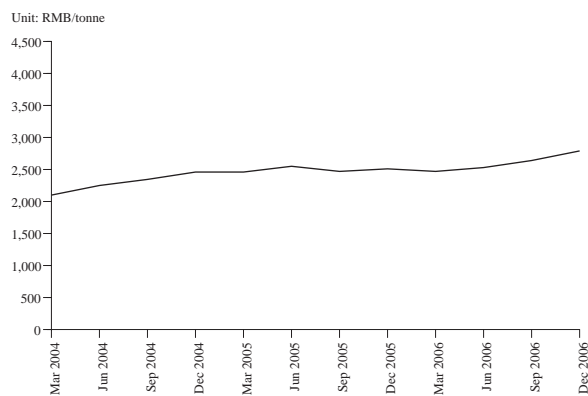
### Price

The price of starch sweeteners in the PRC market is relatively stable compared to sugar price. During the period between 2001 to early 2005, the price of crystallised glucose fluctuated within a range of RMB200 per tonne. In general, the prices of starch sweeteners mainly depend on, among others, the prices of production materials and production cost, demand and supply of the starch sweeteners and sugar price. The charts below set forth the monthly average prices in the PRC for the major starch sweeteners during recent years.

**Glucose syrup (75%-85%)**

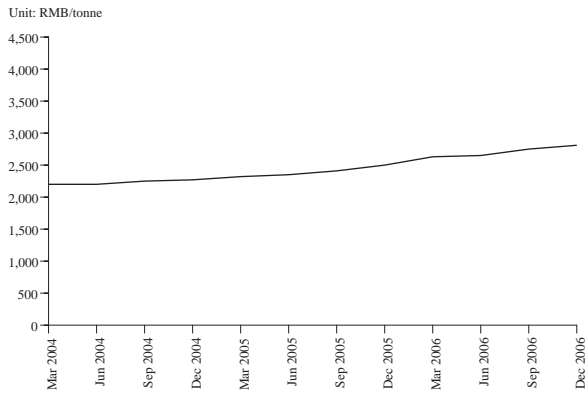


**Crystallised glucose**

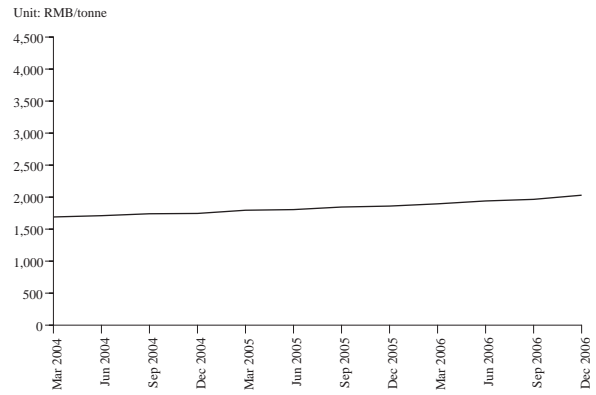


# INDUSTRY OVERVIEW

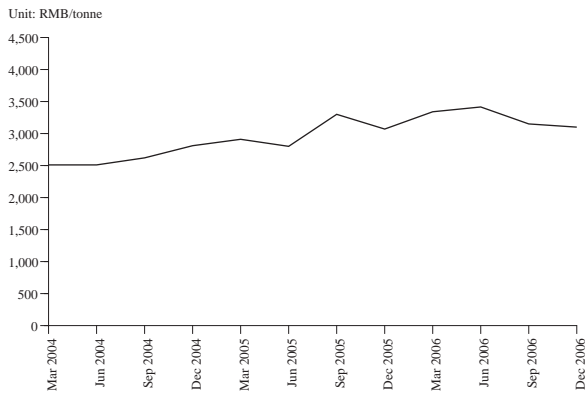
## HFCS (71%)



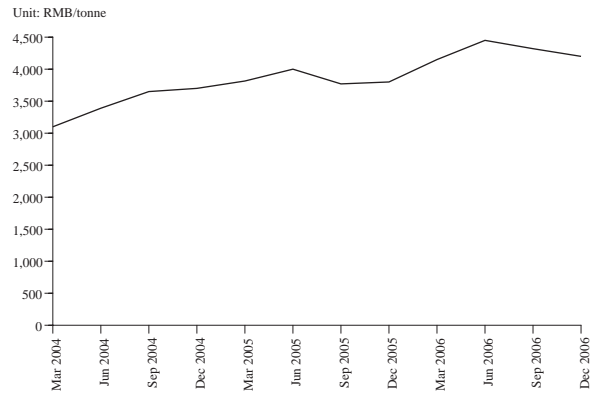
## Maltose syrup



## Maltodextrin (DE10)



## Sorbitol (70%)



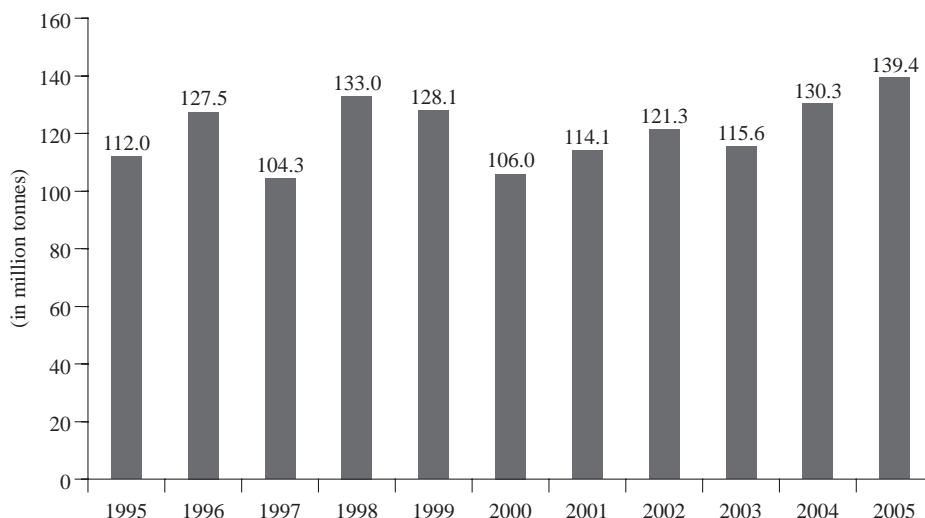
Source: The DRC Report

### Raw material for corn sweeteners in the PRC

Corn is the major raw material for producing corn starch, which is the raw material for corn sweeteners in the PRC. According to the DRC Report, corn sweeteners take up the vast majority share of the PRC starch sweeteners market. Changes in corn supply and price will have an effect on the corn sweeteners market and the cost of production of corn sweeteners directly. In other words, corn sweeteners prices in the PRC are closely related to the corn supply and corn price in the PRC. Being the second largest corn producer in the world, the supply of corn in the PRC has remained stable in recent years. The following chart illustrates the annual corn production volume in the PRC during 1995 to 2005.

## INDUSTRY OVERVIEW

### Annual corn production volume in the PRC (1995–2005)

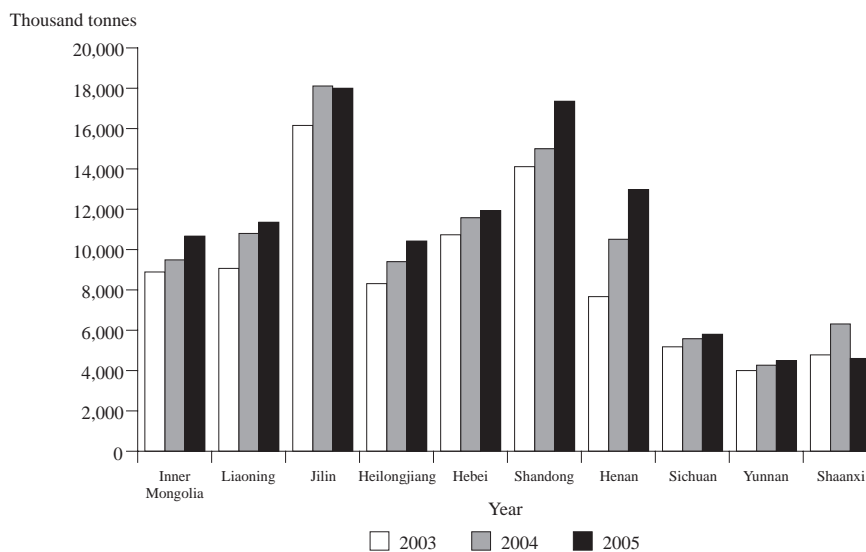


*Source:* The China Statistical Yearbook 2000 and 2006 published by the National Bureau of Statistics of China

With the adoption of a more favourable agricultural policy by the PRC government in 2004, the corn production in the PRC largely increased and reached a new record height in 2006, amounting to about 141 million tonnes. The new policy includes measure like tax reform in agriculture. These measures effectively improved farmers' incentives to produce and thus increased the corn production size and corn supply in the PRC.

In the PRC, corn is mainly grown in the northeastern, northern and southeastern part of the PRC. The following chart illustrates the 10 largest corn-growing provinces in the PRC for the period between 2003 to 2005:

### The 10 largest corn growing provinces in the PRC (2003–2005)



*Source:* Food and Agriculture Organisation of United Nations from the DRC Report

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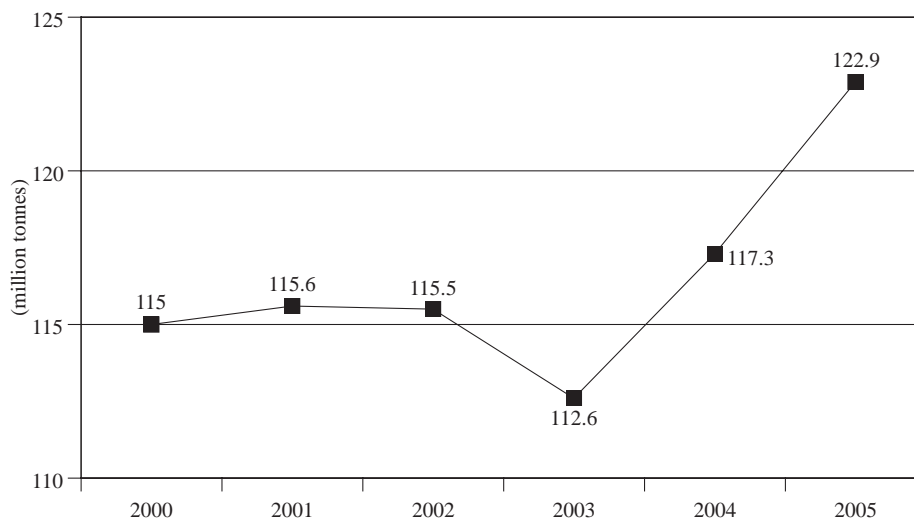
## INDUSTRY OVERVIEW

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As shown in the chart above, the northern region of the PRC (including but not limited to Jilin and Shandong provinces) is a major corn production area. Among the 10 largest corn growing provinces, Jilin province had the highest annual corn production volume between 2003 to 2005.

Other than being consumed as food, corn is widely used as production materials for the production of animal feeds and other industrial purposes in the PRC. The following chart illustrates the annual consumption of corn in the PRC for the period between 2000 to 2005:

**Annual consumption of corn in the PRC (2000–2005)**



*Source:* National Bureau of Statistic of China from the DRC Report

As shown in the chart above, annual consumption of corn in the PRC has been increasing since 2003. Recently, corn refineries have been undergoing expansion in production capacities in order to accommodate the increasing demand for corn refined products, such as corn starch, corn oil and corn gluten meal. According to the DRC Report, the industry consumption of corn-refined products will reach 17.8 million tonnes in 2006. In addition, the PRC government has been promoting the use of ethanol, for which certain corn refined products or other competing products of corn sweeteners can be used as production material, as a complement to fuel oil in several provinces. Annual consumption level of corn is expected to reach 149 million tonnes in 2010, representing about 20% growth from that of 2005 due to growing demand.

The price of corn is mainly affected by, among others, demand and supply of corn in the PRC, weather condition, economic cycle of the PRC, exchange rate of RMB and related PRC governmental policies. Although corn price has been relatively stable historically, an increase in corn demand in the PRC in other industries may drive up the PRC corn price and the production cost of corn sweeteners in the future. The recent increase in corn price is caused by increasing demand from various industries and the increasing demand for ethanol which use corn as a raw material in its production.

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## INDUSTRY OVERVIEW

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### Market competition

The PRC corn sweetener industry has been developing rapidly in recent years. A number of factories with large production capacities were built, the sizes and production scales of the existing corn sweetener producers were enlarged and the types of products offered were also increasing from 6 types in the beginning to 27 types in present despite that the focuses are still on the key corn sweeteners, namely glucose syrup, maltose syrup and crystallised glucose. These developments have led to increase of corn sweetener supply and improvements in corn sweeteners quality in the PRC. The economies of scale, on the other hand, allow the large corn sweetener producers to lower their production cost and thus increase their competitiveness in the sweetener market. As such, the Directors believe the corn sweetener market would become increasingly competitive and dominated by major manufacturers in the PRC market.

### Future prospect

The per capita consumption of starch sweetener in the PRC is about 3.8 kilogrammes in 2006, and is estimated to increase to about 4.5 kilogrammes in 2010. The growth rate of consumption is expected to be much higher than that of production. Furthermore, even if the per capita consumption of starch sweetener per capita increased to 4.5 kilogrammes, it only represents 7.5% of that of the US, 17.8% of that of Japan, and 17% of that of Korea. The Directors believe that relatively low starch sweetener consumption level presents opportunities for the starch sweetener industry to be further developed in the PRC.

There are 27 types of starch sweeteners available in the PRC market as in 2005, a great leap from that of early 90s. However, there are over 600 types of starch sweeteners in overseas markets with broader applications than those in the PRC. According to the DRC Report, it is expected that product development and broader range of starch sweeteners applications would be the focus of the future development of the PRC starch sweetener industry as starch sweeteners producers further develop their business and increase their competitiveness in the sweetener market in the PRC.

According to the DRC Report, fluctuation of sugar price and the effect of such fluctuation on the demand for starch sweeteners will affect the PRC starch sweeteners industry. If sugar price continues to rise, starch sweeteners, as substitutes for sugar, will be more widely used. On the contrary, if sugar price falls due to, for example, overproduction, demand for starch sweeteners may decrease.

## LAWS AND REGULATIONS CONCERNING THE CORN SWEETENERS INDUSTRY IN THE PRC

### Environmental protection regulations

In accordance with the PRC Environmental Protection Law (中華人民共和國環境保護法) adopted by the Standing Committee of the National People's Congress of the PRC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate. A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection,

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## INDUSTRY OVERVIEW

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and by adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities, from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit. If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the dangers and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

### **Regulations regarding urban wastewater discharge**

According to the Regulation on the Management of Permission for Urban Wastewater Discharge, which became effective from 1 March, 2007, companies must obtain an urban wastewater discharge permit (城市排水許可證) from the competent urban wastewater discharge administration department of the local government authority before they may discharge wastewater to urban drainage network and its ancillary facilities. The urban wastewater discharge permit will remain valid for five years. If a company fails to obtain or maintain an urban wastewater discharge permit, it will be prohibited from discharging wastewater to urban drainage network and its ancillary facilities, failing which the offending company can be subject to a penalty of upto RMB50,000.

### **Food hygiene regulations**

#### *Starch Sweeteners Hygiene Standard*

Enterprise engage in the production of starch sweeteners in the PRC must comply with the PRC National Standard (中國人民共和國國家標準) GB1520-2003 issued by the State General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局). Such standards include benchmarks pertaining to starch sweeteners, hygiene standards for the production process of starch sweeteners, methods of packaging, labelling and storage, and methods of inspection.

In the absence of both national and trade standards for products manufactured by an enterprise, standards for the enterprise are formulated to serve as the criteria for the organisation of production. Standards organised by an enterprise for the organisation of production of its products are required to be reported to the standardisation administration department and the competent administrative authorities under the local government for record. Where national or trade standards have been formulated, the State encourages enterprises to formulate their own standards, which should be more stringent than the national or trade standards, to be used in these enterprises.

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## INDUSTRY OVERVIEW

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### *Hygiene Permit*

In accordance with the Food Hygiene Law of the PRC (中華人民共和國食品衛生法), a company or enterprise which engages in the manufacturing of food products must obtain a hygiene permit from the competent Hygiene Administration Department before commencing production.

### *Hygiene Licence Registration for Food Products produced for Export*

In accordance with the Administrative Regulation on Hygiene Registration of Food for Export Production Enterprises (出口食品生產企業衛生註冊登記管理規定), a company or enterprise which intends to engage in the production, processing or storage of food products for export must first obtain a hygiene registration certificate from the respective import and export quarantine authority. The company or enterprise is required to pass its hygiene inspection, prior to obtaining such registration from the relevant authority.



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## BUSINESS

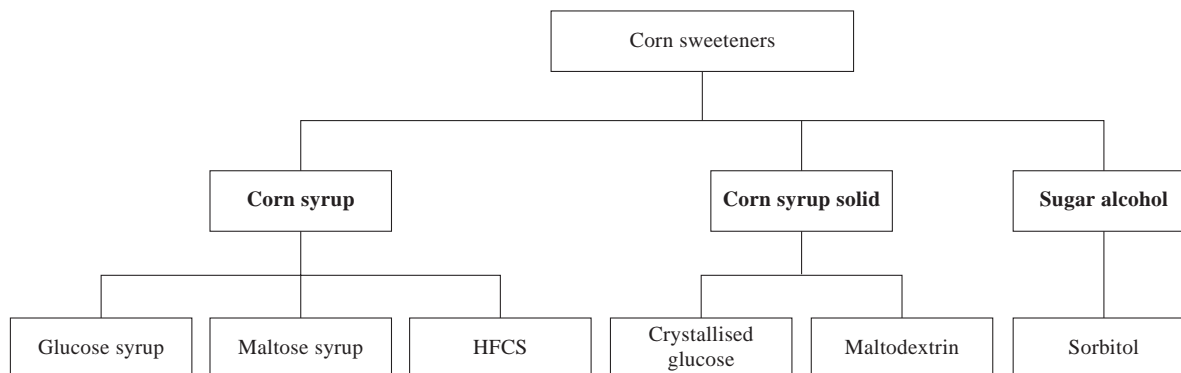
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### OVERVIEW

The Global Sweeteners Group is one of the largest corn sweetener producers in the PRC in terms of production capacity and production output of corn sweeteners (including the production capacities of the Jointly-controlled Entities) in 2006. The Global Sweeteners Group is principally engaged in the production and sale of various corn sweeteners which can be classified into three categories: corn syrup, corn syrup solid and sugar alcohol. During the Track Record Period, the Global Sweeteners Group also engaged in the trading of some of its products, namely sorbitol and HFCS. The Directors expect that the Global Sweeteners Group will continue to engage in trading of some of its products occasionally. These products, depending on their ingredients and respective concentration levels, have different properties in taste and texture and have a variety of applications.

The Global Sweeteners Group's corn syrup products include glucose syrup, maltose syrup and HFCS; corn syrup solid products include crystallised glucose and maltodextrin; and sugar alcohol includes sorbitol.

The diagram below sets out the corn sweeteners currently manufactured and sold by the Global Sweeteners Group:



The Global Sweeteners Group comprises the Company, the subsidiaries of the Company, namely GS (China), Global Sweeteners, Global Sweeteners (HK) Limited, Hao Cheng, Changchun Dihao, Dihao Crystal, Eternal Win and Datex, and the jointly-controlled entities of the Company, namely Global Bio-chem-Cargill, Global-Nikken (Hong Kong), CDNP and GCHF. Please refer to the paragraph headed “Group structure” in this section for further details regarding the corporate structure of the Global Sweeteners Group.

The subsidiaries of the Company, namely Hao Cheng and Changchun Dihao, are principally engaged in the manufacturing and sale of glucose and maltose products. The Jointly-controlled Entities, namely GCHF and CDNP, are principally engaged in the manufacture and sale of HFCS and sorbitol, respectively. Dihao Crystal, a subsidiary of the Company which commenced production in November 2006, is principally engaged in the manufacture and sale of crystallised glucose.

## BUSINESS

The table below sets out the major products sold by each member of the Global Sweeteners Group:

<b>Subsidiary/ Jointly-controlled Entity</b>	<b>Major product(s)</b>
Changchun Dihao	glucose syrup, maltose syrup and maltodextrins
Hao Cheng	glucose syrup and maltose syrup
CDNP	sorbitol and crystallised glucose
GCHF	HFCS
Dihao Crystal	crystallised glucose

For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, turnover of the Group amounted to about HK\$265.0 million, HK\$825.0 million, HK\$1,144.1 million and HK\$336.4 million respectively. The table below sets out the amount of monetary value of each of the Group's product sold during the Track Record Period:

<b>Product</b>	<b>Year ended 31 December</b>			<b>Three months ended</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><i>Corn syrup</i></b>				
Glucose syrup	74,638	460,680	639,835	190,304
Maltose syrup	146,575	267,145	304,212	85,221
HFCS*	26,548	45,054	113,631	28,305
<b><i>Corn syrup solid</i></b>				
Crystallised glucose ( <i>Note 1</i> )	—	—	21,267	17,715
Maltodextrin	14,423	41,175	52,254	13,471
<b><i>Sugar alcohol</i></b>				
Sorbitol ( <i>Note 2</i> )*	2,832	10,918	6,245	1,271
Others ( <i>Note 3</i> )	—	—	6,697	63
<b>Total</b>	<u>265,016</u>	<u>824,972</u>	<u>1,144,141</u>	<u>336,350</u>

Notes:

- Sale of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
- Sale of sorbitol produced by CDNP commenced in November 2005 while trading of sorbitol had been carried out by the Global Sweeteners Group during the Track Record Period.
- Others include mother solution and other by-products.

\* These mainly represent the portions of turnover attributable to the relevant Jointly-controlled Entities which have been consolidated into the Group's accounts. As disclosed in the paragraph headed "Summary of significant accounting policies" in appendix I to this prospectus, the Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the Jointly-controlled Entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

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## BUSINESS

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The corn sweeteners of the Global Sweeteners Group are sold to customers including food and beverage manufacturers and pharmaceutical product manufacturers by the Global Sweeteners Group's sales and marketing teams and through local distributors in the PRC. For the three years ended 31 December 2006 and the three months ended 31 March 2007, all of the Global Sweeteners Group's sales were derived from domestic customers although the Directors are aware that some of the distributors to whom the Global Sweeteners Group sold its products in turn shipped them to overseas customers.

As at the Latest Practicable Date, the Global Sweeteners Group had a total designed annual production capacity of about 960,000 tonnes (of which the Jointly-controlled Entities have a total designed production capacity of about 160,000 tonnes) of corn sweeteners. For the year ended 31 December 2006 and the three months ended 31 March 2007, the utilisation rate of a majority of the production lines of the Global Sweeteners Group approached their designed production capacities except for the production facilities of CDNP and Dihao Crystal.

As at the Latest Practicable Date, the total gross floor area of the production facilities of the Global Sweeteners Group is about 43,127 sq.m. The production facilities of Changchun Dihao, Dihao Crystal and CDNP are located in Changchun, Jilin Province with total gross floor area of about 31,807 sq.m. in aggregate. The production facilities of Hao Cheng and GCHF are located in Shanghai with total gross floor area of about 11,320 sq.m. in aggregate. The designed production capacities of each member of the Global Sweeteners Group as at 31 August 2007 are set out below:

<b>Production facility</b>	<b>Designed production capability (tonnes per annum)</b>
Changchun Dihao	520,000
CDNP	60,000
Hao Cheng	80,000
GCHF	100,000
Dihao Crystal	200,000

The Group has obtained valid long term certificates for all properties where its production facilities in the PRC are located. Dihao Crystal leased its production plant, being the property number 3 as referred to in the valuation report as set out in appendix III to this prospectus, from Changchun Dihao. Changchun Dihao has obtained the land use right certificates of the land and the building ownership certificate in respect of such production plant. However, as advised by the Company's legal advisors on PRC laws, Changchun Dihao has not obtained the non-residential property leasing permit (非住宅房屋出租許可證) and has not filed the lease agreement with the relevant authorities and therefore the lease agreement has not become effective and enforceable by the relevant parties. While it is legally possible for Changchun Dihao to evict Dihao Crystal from its production plant, the Directors consider that such risk is remote and hypothetical given that both Changchun Dihao and Dihao Crystal are wholly-owned subsidiaries of the Company.

## BUSINESS

During the Track Record Period, save for the inadvertent omission to keep track of the employee social insurance contributions for certain of the Global Sweeteners Group's temporary employees as stated in the paragraph headed "Benefits" in the section headed "Directors, senior management and staff" in this prospectus, the Global Sweeteners Group had complied with all relevant and applicable PRC laws and regulations in all material aspects for conducting its business and operation, including environmental and safety laws and regulations.

### TRADING RECORD

The table below sets forth a summary of the consolidated results of the Group for the Track Record Period on the assumption that the current structure of the Global Sweeteners Group had been in existence throughout the Track Record Period. Further, it should be noted that the results of the Jointly-controlled Entities are proportionately consolidated into the Group's results based on their respective attributable interests indirectly held by the Company. It should be read in conjunction with the accountants' report set forth in appendix I to this prospectus.

	Year ended 31 December			Three months ended 31 March	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000	2007 HK\$'000
				<i>(unaudited)</i>	
REVENUE	265,016	824,972	1,144,141	212,035	336,350
Cost of sales	<u>(210,089)</u>	<u>(645,037)</u>	<u>(892,564)</u>	<u>(171,663)</u>	<u>(280,548)</u>
Gross profit	54,927	179,935	251,577	40,372	55,802
Other income	2,345	2,178	5,588	923	2,764
Selling and distribution costs	(20,403)	(50,092)	(48,251)	(8,441)	(11,143)
Administrative expenses	(6,668)	(10,659)	(15,039)	(2,660)	(4,248)
Other expenses	(2,952)	(8,510)	(3,760)	(725)	(19)
Finance costs	<u>(892)</u>	<u>(5,688)</u>	<u>(13,426)</u>	<u>(2,830)</u>	<u>(3,412)</u>
PROFIT BEFORE TAX	26,357	107,164	176,689	26,639	39,744
Tax	<u>(3,146)</u>	<u>(11,498)</u>	<u>(19,956)</u>	<u>(2,976)</u>	<u>(5,117)</u>
PROFIT FOR THE YEAR	<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
Attributable to:					
Equity holders of the Company	18,455	80,663	156,733	23,663	34,627
Minority interests	<u>4,756</u>	<u>15,003</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
— basic <i>(Note)</i>	<u>HK\$0.026</u>	<u>HK\$0.115</u>	<u>HK\$0.224</u>	<u>HK\$0.034</u>	<u>HK\$0.049</u>

*Note:* The calculation of basic earnings per Share for the Track Record Period is based on the profit attributable to ordinary equity holders of the Company for the Track Record Period and assuming that 700,000,000 Shares had been in issue, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Capitalisation Issue as more fully described in the paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" in appendix V to this prospectus, throughout the Track Record Period.

### **KEY STRENGTHS**

The Directors believe the success of the Global Sweeteners Group's business and its potential future growth are attributed to the following strengths:

#### **Leading position in the corn sweeteners market in the PRC**

Based on the findings set out in the DRC Report, the Global Sweeteners Group is one of the largest corn sweetener producers in the PRC in terms of production capacity and production output of corn sweeteners (including the production capacities of the Jointly-controlled Entities) in 2006. The Directors believe that the leading position of the Global Sweeteners Group plays an important role in negotiating and securing contracts with customers, suppliers and recruiting talents. As one of the largest corn sweetener producers in the PRC, the Global Sweeteners Group also enjoys economies of scale over competitors with a smaller production scale. Accordingly, the Directors believe that this factor enhances the overall competitiveness of the Global Sweeteners Group and is important to the future growth of the Global Sweeteners Group.

#### **Products sold by the Global Sweeteners Group are well recognised**

As the Global Sweeteners Group's products are principally used as ingredients for the manufacturing of food and beverage products, there are stringent requirements on the quality of the Global Sweeteners Group's products as raw materials to ensure that the final products meet the relevant health and safety requirements. Most of the products of the Global Sweeteners Group are well recognised among business customers. The Directors believe that such recognition is due to the high quality of the Global Sweeteners Group's products which enhances confidence in the Global Sweeteners Group's products. The Directors believe that with its established reputation, the Global Sweeteners Group is in a position to expand its business to retail customers in the future.

#### **Co-operation with internationally renowned producers**

The Directors believe that the Group's co-operations with Cargill and Mitsui, both being internationally renowned conglomerates, are evidence of the recognition of the Group's status, including its products quality and experience in operation in the PRC. The Directors believe that the Group has gained valuable management experience in working with these leading global sweetener producers. The Directors also believe that this experience puts the Group in an advantageous position in fostering co-operation with other international corporations to further develop its business when suitable opportunities arise.

#### **Geographical advantage**

The production facilities of the Global Sweeteners Group are situated in Jilin province and Shanghai, the PRC. Jilin province is in the northeast region of the PRC and is one of the largest corn production provinces in the PRC. Shanghai, locates between the Jiangsu and Zhejiang provinces and near the Yangtze River Delta Region, where a number of large food and beverage producers are situated. The location of the production facilities in Jilin province enables the Global Sweeteners Group to gain access to the food and beverage manufacturers, potential customers of the Global Sweeteners Group, as well as abundant supply of major production material.

**HISTORY AND DEVELOPMENT**

The history of the Global Sweeteners Group went back to December 1998 when Hao Cheng was jointly established in Shanghai between GBT and an Independent Third Party. At the time of its establishment, GBT was beneficially interested in 40% of the equity interest in Hao Cheng. Hao Cheng had a designed annual production capacity of about 60,000 tonnes and commenced commercial production in October 1999. Datex was incorporated in November 2000, which became the investment holding company of GCHF.

In July 2001, the GBT Group established Global Sweeteners to become the principal intermediate holding company for the GBT Group's corn sweetener business and investments.

The Cargill group of companies is an international marketer, processor and distributor of agricultural, food, financial and industrial products and services. In order to take advantage of the growth in the HFCS market, GBT entered into the Joint Venture Agreement with Cargill in 2001, pursuant to which a joint venture vehicle, Global Bio-chem-Cargill, was established in October 2001 as the specific purpose vehicle for holding GCHF, and is owned as to 50% by Global Sweeteners and 50% by Cargill. In November 2001, Global Bio-chem-Cargill established GCHF, which was owned as to 80% by Global Bio-chem-Cargill, 10% by Datex and 10% by CIIL, to produce and sell HFCS. Pursuant to the Joint Venture Agreement, the Group shall supervise and manage the construction and operation of the production facilities of GCHF in Shanghai, and has advanced a shareholder loan for the sum of HK\$40 million. Cargill shall license to Global Bio-chem-Cargill, which in turn shall sub-license to GCHF, of the use of certain technical or business information relating to the production of HFCS, in consideration of which Global Bio-chem-Cargill issued a promissory note of HK\$40 million to Cargill. The shareholder's loan and the promissory note shall rank junior and is subordinated to other existing or future indebtedness of Global Bio-chem-Cargill, but shall rank *pari passu* with each other, and are repayable by Global Bio-chem-Cargill on the earlier of 25 September 2101 or upon the making of any order or effective resolution for the liquidation, winding up or dissolution of GCHF. Cargill has also granted a royalty-free licence to Global Bio-chem-Cargill, which in turn granted a sub-license to GCHF, to use certain trademarks in the PRC in respect of the goods and packaging for HFCS which are owned by Cargill and are being used, applied for and/or registered in the PRC for use with syrups.

Pursuant to the Joint Venture Agreement, each of GBT and Cargill has an option to acquire 1% interest in Global Bio-chem-Cargill from the other party. The option is exercisable by either party. As there will not be any change in the voting power of the shareholders of Global Bio-chem-Cargill as a result of the exercise of the option, Global Bio-chem-Cargill will continue to be accounted for as a jointly-controlled entity by the Company upon exercise of the option by either party. Having considered the current relation with Cargill and Cargill's established business relationship with the major customers of GCHF and that the acquisition of the 1% interest by exercising the option will not have a significant financial impact on the Group's financial performance, the Company has no current intention to exercise the option and intends to continue to hold at least 50% interest in Global Bio-chem-Cargill. As at the Latest Practicable Date, and the Group had not received any indication from Cargill to exercise the option. The Group may consider exercising the option when there is any change to the business environment of HFCS or the relationship between Cargill and the Group and/or GCHF's major customers.

The production facilities of GCHF are situated in Shanghai adjacent to the production facilities of Hao Cheng. The facilities commenced commercial production in August 2002 and have an annual designed production capacity of 100,000 tonnes of HFCS.

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In November 2001, Global Sweeteners acquired the entire equity interest in Hao Cheng from its then shareholders at an aggregate cash consideration of about RMB44.6 million, which was arrived at based on the unaudited net asset value of Hao Cheng of about RMB44.6 million as at 30 September 2001. Upon the completion of the transfer agreement in March 2002, Hao Cheng became a wholly-owned subsidiary of Global Sweeteners.

Mitsui-Tokyo and its overseas offices are principally engaged in, among others, the business of the worldwide trading of various commodities. Its subsidiary, Nikken, is one of the leading manufacturers of sorbitol products in Japan with over 30 years of experience. In February 2004, the Group entered into the Joint Venture Structure Agreement with Mitsui pursuant to which Global-Nikken (Hong Kong), which is owned as to 51% by Global Sweeteners, 31% by Mitsui-Tokyo, 16% by Mitsui-HK and 2% by Nikken, was formed as a jointly-controlled entity of the Company. Global-Nikken (Hong Kong) is accounted for as a jointly-controlled entity as the Group does not have control over it. In June 2004, Global-Nikken (Hong Kong) established a wholly-owned subsidiary, CDNP, to principally produce and sell sorbitol. Pursuant to the Joint Venture Structure Agreement, the Group and Mitsui shall from time to time provide to Global-Nikken (Hong Kong) and CDNP such trade secrets and copyright together with related technical support in relation to engineering and design, operation standards, quality assurance methods and procedures and other business and marketing information to support the construction and operation of the production facilities, and each of GBT and Nikken shall grant to Global-Nikken (Hong Kong), with the right to sub-license to CDNP for use thereby, the right to use some of their respective trademarks in the PRC, Hong Kong and, as the case may be, Japan in respect of sorbitol products on a licence fee free basis. Under the Joint Venture Structure Agreement, the Group has also agreed to procure that utilities and infrastructure facilities including steam, water, electricity and waste water treatment will be made available to CDNP, and shall procure that glucose will be supplied to the CDNP by GBT or its subsidiaries, or a third party supplier from time to time designated by Global Sweeteners, for the production of sorbitol products at a price to be determined in accordance with an agreed formula, which is principally determined by reference to the cost for the relevant glucose supplier for acquiring starch, its cost for producing glucose and its profit margin and the corresponding tax cost. The production facilities of CDNP are located in Changchun and commenced commercial production in November 2005 with an annual production capacity of 60,000 tonnes of sorbitol and crystallised glucose.

In the second half of the year 2004, Global Sweeteners acquired a 75% interest in Changchun Dihao, which had sweetener production capacity of about 170,000 tonnes, at an aggregate cash consideration of HK\$127.5 million. The consideration was determined by the parties with reference to the unaudited net asset value of Changchun Dihao as at 30 June 2004 plus a 32% premium determined taking into account the production capacity and the expansion plan of Changchun Dihao and Changchun Dihao's brand name in the market. In 2005, Changchun Dihao's second phase of refinery facilities was completed which increased its annual production capacity to 520,000 tonnes. Following the acquisition by the GBT Group of Dacheng Industrial in September 2005, Changchun Dihao became wholly-owned by the GBT Group.

In early 2006, the Group began to construct its production facilities for production of crystallised glucose in Changchun, to be completed in two phases. The construction of the first phase of the production facilities, with an annual production capacity of 200,000 tonnes of crystallised glucose, commenced construction in early 2006 and, in May 2006, Dihao Crystal was established to operate such production facility. The total capital expenditure for the first phase amounted to about RMB72.4 million. The commercial production of this production facility commenced in December 2006. Construction of the second phase of the production facilities, with an

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expected annual production capacity of 200,000 tonnes of crystallised glucose, is expected to commence in the second half of 2007. The expected capital expenditure for the second phase amounts to about RMB55.0 million.

As advised by the Company's legal advisors on PRC laws, all the requisite approvals and permits under the applicable PRC laws and regulations in connection with the implementation of the Reorganisation have been obtained and/or complied by the Global Sweeteners Group and, where applicable, its shareholders. The Group has also obtained the requisite consents from Mitsui and Cargill in connection with the implementation of the Reorganisation, and has obtained the agreement in principle from Cargill for the novation by GBT to the Company of its rights and obligations under the Joint Venture Agreement (which contains the 1% option as referred to above) and all agreements ancillary thereto as if the Company were the original party to each of the agreements, and the release and discharge of GBT from all such liabilities, obligations and undertakings (other than provisions in relation to confidentiality, non-competition and announcement) upon the Listing.

To further streamline the corporate structure of the GBT Group and the Global Sweeteners Group, during the period from March to August 2007, the Global Sweeteners Group underwent a series of corporate reorganisation, pursuant to which Global Sweeteners became the intermediate holding company of the Group's HFCS business, while GS (China) became the intermediate holding company of the Group's other corn sweetener business. As part of the Reorganisation, the Global Sweeteners Group also acquired the remaining 25% equity interest in Changchun Dihao from the GBT Group at a consideration of about HK\$180 million, which was determined with reference to the original acquisition cost of the GBT Group in respect of the 25% equity interest in Changchun Dihao through its acquisition of Dacheng Industrial in September 2005, and Changchun Dihao became a wholly-owned subsidiary of the Company. Details of such corporate reorganisation and acquisition are set out in the paragraph headed "Group reorganisation" in appendix V to this prospectus.

As set out in the announcement of GBT dated 10 August 2007, the board of directors of GBT believes that the Listing will be beneficial to both GBT and the Company due to the difference in products of the GBT Group and the Global Sweeteners Group, and the two groups of companies are believed to have different growth paths and different strategies. The Listing is expected to (i) create two groups of pure play companies so as to offer the shareholders of GBT with an opportunity to participate in the future developments of both the GBT Group as well as the Global Sweeteners Group and flexibility to invest in either both or only the Global Sweeteners Group; (ii) enable the management team of the GBT Group and the Global Sweeteners Group to focus on their respective core businesses of the two groups of companies, thereby enhancing the efficiency in operations and expediting their respective business developments; (iii) improve the operational and financial transparency of the Global Sweeteners Group and provide investors, the market and rating agencies with greater clarity on the businesses as well as the respective financial status of the GBT Group and the Global Sweeteners Group, allowing it to achieve its valuation potential which will be beneficial to the Shareholders and the shareholders of GBT; (iv) allow a more effective and direct evaluation and reward mechanism to attract and motivate the Global Sweeteners Group's management to align their interests with the financial performance of the Global Sweeteners Group on a standalone basis; and (v) provide an additional fundraising platform for GBT and its subsidiaries, and provide the Global Sweeteners Group more diversified funding sources to finance its own operations and future business expansion. Based on the above, the board of directors of GBT believes that the Listing will be beneficial to the shareholders of GBT. The Listing has complied with requirements of Practice Note 15 of the Listing Rules.



**Regulatory matters**

As advised by the legal advisors of the Company on PRC laws, the Regulations on Mergers and Acquisitions promulgated by six ministries of the PRC government and became effective in September 2006 is only applicable to acquisitions by foreign investor of domestic non-foreign-invested enterprises and therefore not applicable to the Reorganisation, except that in respect of acquisitions of equity interest from shareholders of foreign-invested enterprises in China by foreign investors where there is no applicable provisions in existing laws and administrative regulations on foreign-invested enterprises, certain provisions under the Regulations on Mergers and Acquisitions have been applied by reference in interpreting the existing laws and regulations applicable to these acquisitions as there are no similar provisions thereunder. Specifically, by virtue of the application by reference of the requirements regarding the determination and time frame for payment of consideration payable for acquisition of equity interest under the Regulations on Mergers and Acquisitions, the consideration payable by Eternal Win in respect of its acquisition of the 25% of equity in Changchun Dihao held by Dacheng Industrial had been determined by reference to the valuation of such equity interest as appraised by an independent asset appraisal agent and Eternal Win had paid the total amount of consideration to Dacheng Industrial within three months from the date of the issuance of the revised business license of Changchun Dihao. The acquisition has complied with the applicable requirements under the PRC laws and regulations.

The Notice of SAFE promulgated by the PRC State Administration of Foreign Exchange and became effective in November 2005, governs the return investments carried out inside China by domestic resident legal person or domestic resident natural person via a special purpose vehicle, which is directly established or indirectly controlled by it/him for the purpose of engaging in equity financing abroad with the enterprise assets or interests it/he holds inside China. As the Reorganisation does not involve such return investment via special purpose vehicle, therefore, the PRC legal advisors to the Company have confirmed that the Notice of SAFE is not applicable to the Reorganisation.

All approvals and permits in relation to the Reorganisation that are required to be obtained under the PRC laws have been obtained.

Changchun Dayu, one of the founding shareholders of Changchun Dihao holding 10% of its registered capital at the time of its establishment in June 1999, initially contributed its share of registered capital of RMB1.5 million by way of cash, instead of by way of transfer of land use right for the equivalent value to Changchun Dihao as prescribed by the relevant PRC authority. Changchun Dayu subsequently contributed the land use rights after the prescribed time. As advised by the Company's PRC legal advisors on PRC laws, the irregularity in the contribution of registered capital to Changchun Dihao by Changchun Dayu should be rectified by the original examination and approving authority of Changchun Dihao. However, Changchun Dayu had already duly contributed its share of registered capital subsequently and Changchun Dihao had passed the annual examination by its original examination and approving authority. As advised by the Company's legal advisors on PRC laws, such irregularity had been duly rectified and it is unlikely that any liability or penalty in respect of such past irregularity will be imposed on the Group. The GBT Group has provided an indemnity to the Global Sweeteners Group against any claims, damages, losses, costs, expenses, actions and proceedings arising out of such past irregularity.

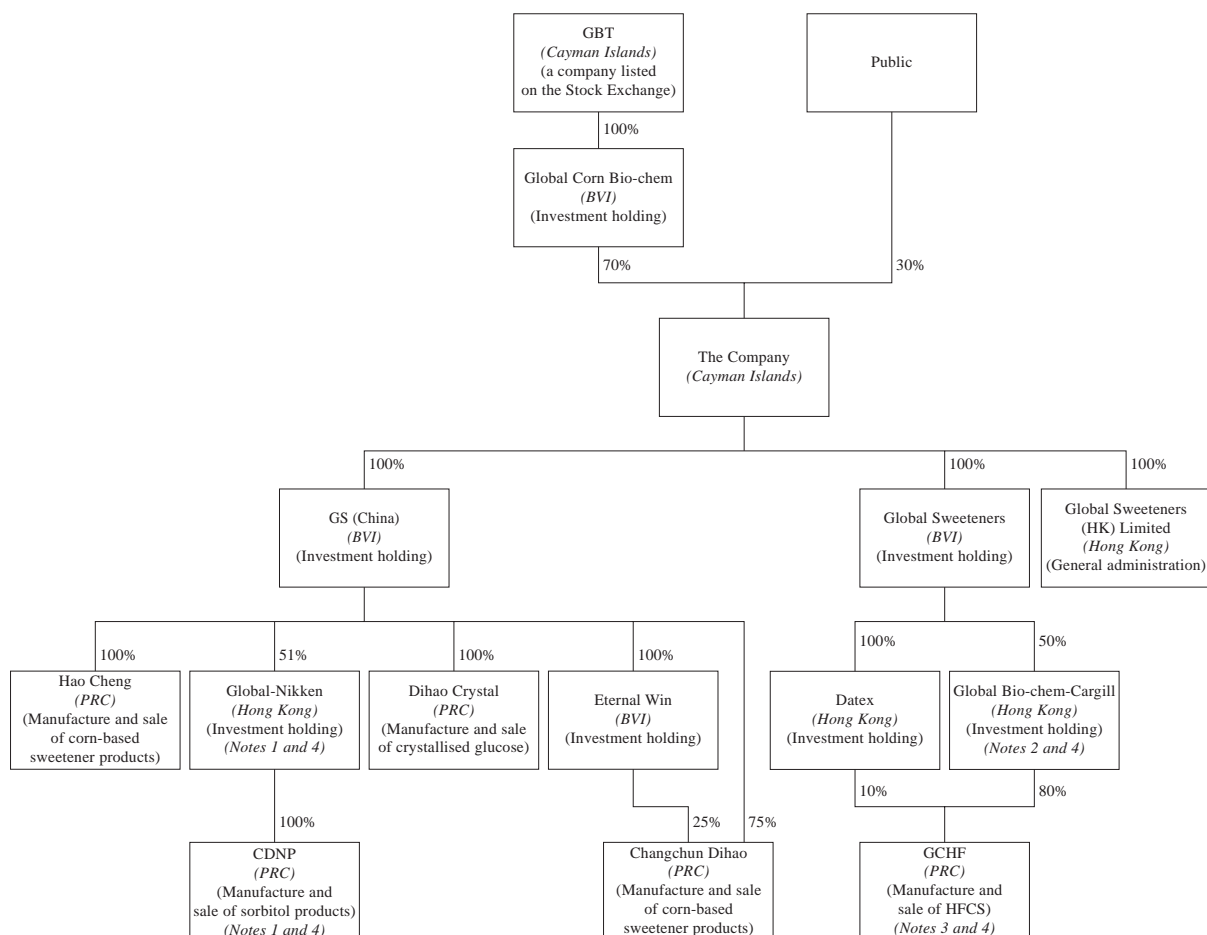
Save as aforesaid, as advised by the Company's legal advisors on PRC laws, all of the respective registered capital of all of the Global Sweeteners Group's wholly foreign owned enterprises established in the PRC have been duly paid up by the respective contributors of such registered capital within the prescribed timeframe.

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The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 June 2006 and was registered with the Registrar of Companies in Hong Kong as an overseas company under Part XI of the Companies Ordinance on 24 August 2007. On 24 August 2007, in preparation for the listing of the Shares on the Stock Exchange, the Group underwent further reorganisation pursuant to which the Company became the holding company of the members of the Global Sweeteners Group. Details of the Reorganisation are set out in the paragraph headed “Group reorganisation” in appendix V to this prospectus.

### GROUP STRUCTURE

The following diagram illustrates the structure of the Group (as well as its interests in the Jointly-controlled Entities) immediately following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option):



*Notes:*

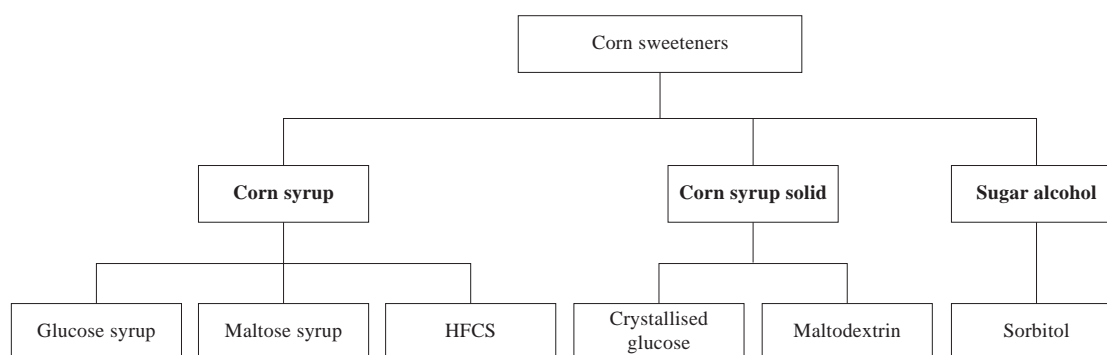
1. Global-Nikken (Hong Kong) is held as to 51%, 31%, 16% and 2% by GS (China), Mitsui-Tokyo, Mitsui-HK and Nikken, respectively.
2. Global Bio-chem-Cargill is held as to 50% and 50% by Global Sweeteners and Cargill, respectively.
3. GCHF is held as to 80%, 10% and 10% by Global Bio-chem-Cargill, Datex and CIIL, respectively.
4. These companies are jointly-controlled entities of the Company, and Global-Nikken (Hong Kong) is considered to be an indirect subsidiary of the Company under the Listing Rules.

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### PRODUCTS

The Global Sweeteners Group is one of the largest corn sweetener producers in the PRC in terms of production capacity and production output of corn sweeteners (including the production capacities of the Jointly-controlled Entities) in 2006. The Global Sweeteners Group is principally engaged in the production and sale of various corn sweeteners which can be classified into three categories: corn syrup, corn syrup solid and sugar alcohol products. During the Track Record Period, the Global Sweeteners Group also engaged in trading of some of its products, namely sorbitol and HFCS. The Directors expect that the Global Sweeteners Group will continue to engage in trading of some of its products occasionally. These products, depending on their ingredients and respective concentration levels, have different properties in taste and texture and have a variety of applications.

The diagram below sets out the corn sweeteners currently manufactured and sold by the Global Sweeteners Group:



The table below sets out the sales of the Group by product category for each of the three years ended 31 December 2006 and the three months ended 31 March 2007:

Product	Year ended 31 December			Three months ended
	2004	2005	2006	31 March 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Corn syrups</b>				
Glucose syrup	74,638	460,680	639,835	190,304
Maltose syrup	146,575	267,145	304,212	85,221
HFCS*	26,548	45,054	113,631	28,305
<b>Corn syrup solids</b>				
Crystallised glucose (Note 1)	—	—	21,267	17,715
Maltodextrin	14,423	41,175	52,254	13,471
<b>Sugar alcohol</b>				
Sorbitol (Note 2)*	2,832	10,918	6,245	1,271
Others (Note 3)	—	—	6,697	63
<b>Total</b>	<b>265,016</b>	<b>824,972</b>	<b>1,144,141</b>	<b>336,350</b>

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*Notes:*

1. Sale of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
2. Sale of sorbitol produced by CDNP commenced in November 2005 while trading of sorbitol had been carried out by the Global Sweeteners Group during the Track Record Period.
3. Others include mother solution and other by-products.

\* *These mainly represent the portions of turnover attributable to the relevant Jointly-controlled Entities which have been consolidated into the Group's accounts. As disclosed in the paragraph headed "Summary of significant accounting policies" in appendix I to this prospectus, the Group's interests in its Jointly-controlled Entities are accounted for by proportionate consolidation, which involves recognising its share of the Jointly-controlled Entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.*

During the Track Record Period, glucose syrup and maltose syrup contributed the majority of the turnover of the Group.

### **Corn syrups**

The Global Sweeteners Group's corn syrup products include glucose syrup, maltose syrup and HFCS.

#### *Glucose syrup*

Glucose syrup is an important and popularly used feedstock for fermentation. Glucose syrup is also used in confectionary and pharmaceutical industries as a sweetener and bonding agent to control the sweetness or crystallisation of confectionary and pharmaceutical products. During the Track Record Period, most of the Global Sweeteners Group's glucose syrup were sold to members of the GBT Group customers for fermentation use.

#### *Maltose syrup*

Maltose syrup is used in the food and beverage industry as a sweetening ingredient. In addition to improving flavour, maltose syrup also helps to improve the body and texture of a product while imparting resistance to moisture absorption and crystallisation in the finished products. During the Track Record Period, most of the Global Sweeteners Group's maltose syrup were principally sold directly to food and beverage producers and to domestic distributors.

#### *High fructose corn syrup (HFCS)*

HFCS, the acronym of high fructose corn syrup used in beverages, canned fruits, ice-cream, bread and confectionary as a sweetening ingredient. The Global Sweeteners Group's 42-HFCS is among one of the common commercial grades of HFCS available in the industry, with a 42% fructose-concentration contained in the syrup. During the Track Record Period, a majority of the Global Sweeteners Group's HFCS were sold to an internationally renowned beverage producer.

**Corn syrup solids**

The Global Sweeteners Group's corn syrup solid products include crystallised glucose and maltodextrin. These products tend to have a longer shelf life and are easier for long distance transportation as compared with corn syrup products.

*Crystallised glucose*

Like glucose syrup, crystallised glucose is commonly used in the fermentation or biochemical industries due to its permeating and bulking quantities. Crystallised glucose has a wider application than glucose syrup as it is more dissolvable, has a longer shelf life and easier for transportation. During the Track Record Period, most of the Global Sweeteners Group's crystallised glucose were sold to food and beverage producers.

*Maltodextrin*

Like maltose syrup, maltodextrin is used as an ingredient in food to enhance flavours and texture. They are used as bulking agent for food and beverage products in maintaining emulsion stability. During the Track Record Period, most of the Global Sweeteners Group's maltodextrins were sold to food and beverage producers.

**Sugar alcohol**

The Global Sweeteners Group currently produces only one type of sugar alcohol, namely sorbitol.

*Sorbitol*

One of the common uses of sorbitol is the production of vitamin C. Sorbitol has very wide applications in cosmetics-toiletries, pharmaceuticals, food and beverages and even in chemical industries for its non-aggravating and plasticising properties which help imparting texture and body in various products. Furthermore, sorbitol is also used in the pharmaceutical industry or as a sweetener for diabetics. During the Track Record Period, the Group's sorbitol were mainly sold to pharmaceutical, food and beverage producers and domestic distributors.

**SALES AND MARKETING**

All of the Group's sales are made in the PRC during the Track Record Period. The Global Sweeteners Group sells its products through its own sales and marketing teams to retail customers, industrial customers and authorised distributors. The Global Sweeteners Group's sales personnel generally focuses on reputable or large-size customers while the distributor customers generally focuses on small to medium-sized customers. The Global Sweeteners Group distributes its products to about 20 provinces in the PRC.

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The following table sets out the geographical sales breakdown of the Global Sweeteners Group for each of the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 according to the regions (of the headquarters) of its customers:

Region	Year ended 31 December						Three months ended 31 March			
	2004		2005		2006		2006		2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Northern China	80,080	30.2	529,193	64.2	736,199	64.4	130,450	61.5	198,235	58.9
Eastern China	122,416	46.2	190,684	23.1	305,752	26.7	65,915	31.1	97,149	28.9
Southern China	62,520	23.6	105,095	12.7	102,190	8.9	15,670	7.4	40,966	12.2
Total	<u>265,016</u>	<u>100.0</u>	<u>824,972</u>	<u>100.0</u>	<u>1,144,141</u>	<u>100.0</u>	<u>212,035</u>	<u>100.0</u>	<u>336,350</u>	<u>100.0</u>

The Global Sweeteners Group has its own sales and marketing teams who are responsible for market research and deploying the overall marketing plan of the Global Sweeteners Group while distributors are engaged in different regions to maintain local contact points for their existing and potential end customers. Both the Global Sweeteners Group's sales and marketing teams and distributors are entrusted with the tasks to promote sales and collect market information to facilitate the development of monthly sales target as well as the Global Sweeteners Group's overall product development and marketing strategy. The Global Sweeteners Group has a performance-linked incentive system under which its sales personnel are rewarded according to their performance and achievements.

Revenue from customers or distributors is recognised when the significant risks and rewards of ownership have been transferred to such customers or distributors, provided that the Group maintains neither managerial involvement of such a degree that usually associated with ownership, nor effective control over the goods sold.



According to the Global Sweeteners Group's credit policy, payment terms range from 30 to 90 days, subject to the Global Sweeteners Group's assessment on the customer's overall performance and credibility.

During the Track Record Period, there were over 60 distributors which had business relationship with the Global Sweeteners Group. Sales to these distributor customers accounted for about 29.2%, 25.0%, 24.2% and 19.7% of the sales of the Group for the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. These distributors are mainly trading companies, which most of them had at least two years of business relationship with the Global Sweeteners Group. All of the distributors of the Global Sweeteners Group during the Track Record Period were Independent Third Parties. Agreements with distributors are generally for a period of one year. Leverage on the distribution network of the distributors, the Directors believe that the Global Sweeteners Group can minimise its administrative costs while its products can reach a number of customers via the onward sales by such distributors at the same time. As distributors normally have relatively better credit worthiness, the Global Sweeteners Group can minimize its credit risks by selling to distributors and hence would normally offer a 1% to 2% discount from the prices offered to direct customers. As the credit risks are fully borne by the distributors once the title of goods are actually passed on to the distributors, the Directors consider the sales to the distributors as an on-sold to end-users. The Directors consider this arrangement of the Global Sweeteners Group to be beneficial to the overall business operation of the Global Sweeteners Group and is in line with the industry practice. In addition, as the sales arrangement through distributors has a proven track record, the Directors expect this arrangement to continue in the future.

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The Global Sweeteners Group's products are sold under different registered trademark “” for Changchun Dihao and Dihao Crystal's products and “” for Hao Cheng's products. The Global Sweeteners Group participates in various trade fairs and industry organisations to promote the awareness of its brands and products, to expand its customer network and to understand the latest market trends.

The Global Sweeteners Group does not have a formal return policy. It has been the practice of the Global Sweeteners Group to exchange for products sold in the event customers are not satisfied with the quality of the products due to the failure of the Global Sweeteners Group to meet the standard and requirements stipulated by customers. During the Track Record Period, the amount of exchanges due to unsatisfactory quality of the products was minimal. The Directors believe that it is not necessary for the Global Sweeteners Group to establish a formal return policy in light of the historic minimal returns and that the Global Sweeteners Group has stringent quality control over its products.

### CUSTOMERS

The customers of the Global Sweeteners Group primarily include the GBT Group, food and beverage producers, pharmaceutical producers and domestic distributors.

During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, sales to the five largest customers of the Group (including its attributable interests in the Jointly-controlled Entities) accounted for about 30.1%, 57.5%, 54.5% and 56.8% of the Group's turnover, respectively while the Group's largest customer, namely the GBT Group, accounted for about 2.3%, 45.8%, 40.2% and 41.3% of the turnover for the same period. Sales by the Global Sweeteners Group to the GBT Group for the year ended 31 December 2004 were relatively lower as compared with each of the two years ended 31 December 2006 was mainly due to the fact that Changchun Dahe, a subsidiary of GBT, only commenced its commercial production in November 2004. In addition, the Group acquired Changchun Dihao in November 2004, Changchun Dihao was not a subsidiary before such date and therefore, the sales made by Changchun Dihao to the GBT Group prior to the completion of such acquisition were not being consolidated into the accounts of the Group. After Changchun Dahe (one of the group companies of the GBT Group that sources corn sweeteners from the Global Sweeteners Group) commenced its commercial production, amount of corn sweeteners sourced from the Global Sweeteners Group by Changchun Dahe itself increased and accounted for about 43.8% of total sales of the Group (including its attributable interests in the Jointly-controlled Entities) for the year ended 31 December 2005. Such percentage was about 34.7% for the year ended 31 December 2006 and about 40.1% for the three months ended 31 March 2007.

As most of the corn sweeteners produced by the Global Sweeteners Group are commodity products that can be readily bought and sold in the market, the Directors consider there is no undue reliance by the Global Sweeteners Group on any of its major customers in spite of the concentration of sales to its five largest customers during the Track Record Period. Furthermore, the Directors are of the view that the Global Sweeteners Group has established a good and steady relationship with most of its customers. The 10 largest customers of the Group (including its attributable interests in the Jointly-controlled Entities) for the year ended 31 December 2006 have established a business relationship with the Global Sweeteners Group ranging from three to six years.

For each of the two years ended 31 December 2006 and the three months ended 31 March 2007, the GBT Group's was the largest customer of the Group (taking into account its attributable interests in the Jointly-controlled Entities), which accounted for about HK\$378.1 million, HK\$459.7 million and HK\$138.9 million respectively, which in turn represented about 45.8%, 40.2% and

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41.3% of the Group's turnover for such corresponding period. In respect of such sales to the GBT Group in each of the year ended 31 December 2005 and 2006 and the three months ended 31 March 2007, sales of glucose and maltose comprise a major portion of the turnover of the Group, representing about 45.4%, 39.8% and 36.9% of the turnover of the Group for the corresponding period. The Group has progressively decreased its supply of glucose syrup and other corn sweeteners to the GBT Group from about 40.9% of the turnover of the Group for the three months ended 31 March 2007 to less than 2.0% of the turnover of the Group based on the unaudited management account of the Group for the two months ended 31 May 2007, mainly by increasing the sale of corn sweeteners to third party customers. The Directors intend to cease the Group's supply of glucose or maltose syrup to the GBT Group after the Listing, but may continue to supply crystallised glucose or other corn sweeteners to the GBT Group for production of its polyol products as the Global Sweeteners Group can generate sales on terms no less favourable to it than to Independent Third Parties to secure a relatively more stable income from a reliable customer thereby reducing its credit risk exposure.

During the Track Record Period, the Global Sweeteners Group sold a significant amount of HFCS to certain bottler companies used by an internationally renowned beverage producer, which accounted for about 68.7%, 70.6%, 67.5% and 55.0% of sales of HFCS produced by GCHF for each of the three years ended 31 December 2006 and the three months ended 31 March 2007. The Directors are of the view that carrying out business with the bottler companies used by an internationally renowned beverage producer will enable the Global Sweeteners Group to gain reputation among other manufacturers, secure lump sum purchase order at relatively stable selling prices and reduce its credit risk exposure. In view of the current demand for HFCS in the PRC and the proximity of GCHF's location with the production facilities of several nationally renowned beverage manufacturers, the Directors are of the view that there is sufficient demand in the market to absorb the amount of HFCS the Global Sweeteners Group currently supplied to the aforementioned bottler companies used by the internationally renowned beverage producer in the event they cease to procure HFCS from the Global Sweeteners Group.

Save as disclosed above, the Directors have confirmed that none of the Directors, the chief executive, the substantial shareholders of the Company or its subsidiaries or any of their respective associates had any interest in any of the five largest customers of the Group (taking into account its attributable interests in the Jointly-controlled Entities) during the Track Record Period.

The Directors intend to expand Global Sweeteners Group's sales and marketing teams in terms of both headcounts and coverage. In addition, the Directors plan to establish sales or representative offices in certain provinces of the PRC in order to achieve higher efficiency, provide better service to the customers and obtain more information of the local market to assist management in responding to changes in market conditions. At present, the Directors intend to establish sales offices at Guangdong, Shanghai and Dalian towards the end of 2007 and employ about 10 personnel for each of these sales offices in order to broaden the customer base of the Global Sweeteners Group. Besides, as part of its growth strategy, the Global Sweeteners Group may pursue acquisition opportunities that have the potential to broaden its customer network or product offerings or to expand its production capacity as the Directors believe successful acquisitions will bring synergies to the Global Sweeteners Group. As at the Latest Practicable Date, no target has been identified and no definitive agreement had been entered into. The Company will make an announcement in accordance with the Listing Rules as soon as an agreement in relation to any acquisition has been reached.



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### CREDIT POLICY

Payment terms granted by the Global Sweeteners Group are negotiated for each individual account with reference to each customer's payment history, order size and credit worthiness. In general, the Group generally grants credit terms of not more than 30 days to its customers and in some other circumstances where longer business relationship has been established, credit terms of not more than 90 days may be granted with the exception that extended credit periods have been granted to the GBT Group during the Track Record Period. Such practice was due to the fact that members of the Global Sweeteners Group have been subsidiaries or jointly-controlled entities of GBT and as such, the sales between the two groups were considered as internal transactions despite the two groups have maintained independent production facilities. The Global Sweeteners Group and the GBT Group has entered into the Corn Sweetener Master Sales Agreement to govern such transactions and credit terms to be granted to the GBT Group by the Global Sweeteners Group will be for a period of 60 days. Please refer to the section headed "Continuing connected transactions" in this prospectus for further details.

The Global Sweeteners Group adopts a specific provision policy against long outstanding doubtful debts. Global Sweeteners Group, with its senior management, regularly reviews overdue balance to assess the recoverability and collectibility of such amounts. With the Global Sweeteners Group's stringent credit control, no bad debt has been recorded in 2004 and 2005 while about HK\$1.2 million was recorded in 2006 representing about 0.1% of turnover for such year.

For the three years ended 31 December 2006 and the three months ended 31 March 2007, the turnover of the Group's trade receivables (including the trade nature portion of the amounts due from fellow subsidiaries) was about 74.0 days, 90.6 days, 123.3 days and 123.0 days respectively. The trade nature portion of the amounts due from fellow subsidiaries for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 amounted to about HK\$8.3 million, HK\$263.0 million, HK\$334.6 million and HK\$343.6 million respectively.

### PRICING POLICY

The Global Sweeteners Group determines the prices of its corn sweeteners after taken into consideration a number of factors, such as the prices of production materials, production costs, size of orders, relationship with the customer, the prevailing market prices of similar corn sweeteners in the PRC which in turn are affected by the market prices of such products in the international market and demand for the corn sweeteners in the market. Currently, there is no price control imposed by the PRC government on the types of corn sweeteners produced by the Global Sweeteners Group. Pricing of a particular product is determined by the general manager of the relevant production plant, sales personnel and production managers, taking into account the market condition of the corn sweeteners market, price offered by competitors, production capacity and the level of demand at the particular time. Sales personnel of the Global Sweeteners Group regularly provide information on market situation, competitors' pricing and customers' responses and the Global Sweeteners Group's management meet daily to review product pricing with reference to such information to ensure timely response to market conditions. Sales personnel of the Global Sweeteners Group are authorized to offer customers a discount of not more than 5% on the price, taking into account the length of business relationship, the quantity purchased, credit worthiness of the customer concerned and the credit terms offered to such customer.

The Directors believe the corn sweeteners are regarded as substitutes for cane sugar in certain applications. As such, the price of corn sweeteners are driven by, among others, the price of cane sugar to a certain extent.

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### PRODUCTION

The Directors believe the Global Sweeteners Group has built up technical knowhow on the manufacturing of its corn sweeteners, which enables the Global Sweeteners Group to deliver high quality products meeting the requirements of its customers and the market.

The Global Sweeteners Group uses advanced automated manufacturing systems to control and monitor the entire manufacturing of its corn sweeteners, which assure the quality of its products and enhance the production efficiency of the Global Sweeteners Group.

#### Production facilities

The Global Sweeteners Group has production plants with total gross floor area of about 43,127 sq.m. The production facilities of Changchun Dihao, Dihao Crystal and CDNP are located in Changchun, Jilin Province with total gross floor area of about 31,807 sq.m. in total. The production facilities of Hao Cheng and GCHF are located in Shanghai with gross floor area of about 11,320 sq.m. in total. Dihao Crystal leased its production plant, being the property number 5 as referred to in the valuation report as set out in appendix III to this prospectus, from Changchun Dihao and Changchun Dihao has obtained land use right certificates of the land and the building ownership certificate in respect of the production plant. However, as advised by the Company's legal advisors on PRC laws, Changchun Dihao has not obtained the non-residential property leasing permit (非住宅房屋出租許可證) and has not filed the lease agreement with the relevant authorities and therefore the lease agreement has not become effective and enforceable by the relevant parties. While it is legally possible for Changchun Dihao to evict Dihao Crystal from its production plant, the Directors consider that such risk is remote and hypothetical given that both Changchun Dihao and Dihao Crystal are wholly-owned subsidiaries of the Company. The Group has obtained valid long term certificates for all properties where its production facilities in the PRC are located.

The Global Sweeteners Group has obtained relevant permits, licences and approvals required for the manufacturing of its various corn sweeteners. The Global Sweeteners Group's production facilities and their respective major products and designed production capacities as at the Latest Practicable Date are set out below:

<b>Subsidiary/Jointly-controlled Entity</b>	<b>Major products</b>	<b>Designed production capacity (tonnes per annum)</b>
Changchun Dihao	glucose syrup, maltose syrup and maltodextrins	520,000
Hao Cheng	glucose syrup and maltose syrup	80,000
CDNP	sorbitol and crystallised glucose	60,000
GCHF	HFCS	100,000
Dihao Crystal	crystallised glucose	200,000

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During the Track Record Period, the designed production capacities of Hao Cheng and Changchun Dihao increased and the designed production capacities of GCHF and CDNP remained at the same level. The following table sets out the designed production capacities as at year end and utilization rates during the year for each of Hao Cheng, Changchun Dihao, Dihao Crystal, GCHF and CDNP for each of the three years ended 31 December 2006 and the three months ended 31 March 2007:

	Designed annual production capacity				Utilisation rate			Three months ended 31 March 2007 (Note 1)
	Year ended 31 December			Year ending 31 December	Year ended 31 December			
	2004	2005	2006	2007	2004	2005	2006	
	<i>(Tonnes per annum)</i>				<i>(Approximate %)</i>			
Hao Cheng	60,000	60,000	80,000	80,000	99.1%	116.3%	117.6%	38.0%
					<i>(Note 2)</i>	<i>(Note 2)</i>		
Changchun Dihao	170,000	520,000	520,000	520,000	101.3%	89.7%	109.8%	28.9%
					<i>(Note 2)</i>		<i>(Note 2)</i>	
Dihao Crystal <i>(Note 3)</i>	—	—	200,000	200,000	—	—	1.7%	8.5%
GCHF	100,000	100,000	100,000	100,000	25.7%	43.7%	95.2%	25.0%
CDNP <i>(Note 4)</i>	—	60,000	60,000	60,000	—	9.9%	53.7%	7.5%

*Notes:*

1. Utilisation rate for the three months ended 31 March 2007 represents the actual production volume for the period divided by the designed annual production capacity.
2. The designed production capacity of each of the abovementioned production facility is calculated based on 300 days of operation, which certain production facilities of the Global Sweeteners Group had been operating for more than 300 days per annum during the Track Record Period, therefore utilisation rates of such production facilities were above 100% during the Track Record Period.
3. Dihao Crystal commenced its production in November 2006 and therefore the utilisation rate during the year ended 31 December 2006 was low.
4. CDNP commenced its production in November 2005 and therefore the utilisation rate during the year ended 31 December 2005 was relatively low.

As at the Latest Practicable Date, the production lines of the Global Sweeteners Group were utilised at around the designed production capacity except for CDNP and Dihao Crystal.

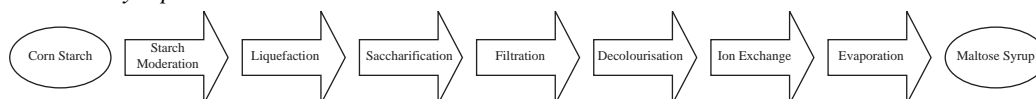
**Production process**

Each of the Global Sweeteners Group’s corn sweeteners has a specific production process and is set out below:

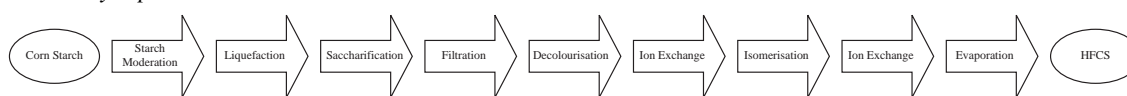
*Glucose syrup*



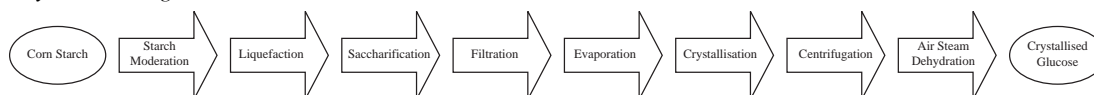
*Maltose syrup*



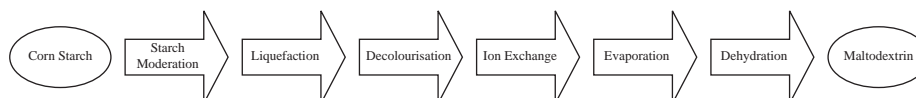
*HFCS syrup*



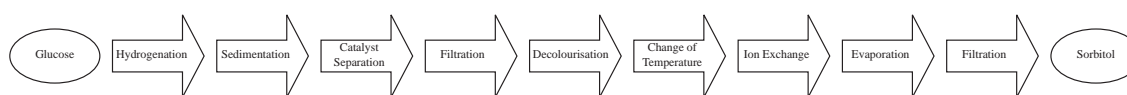
*Crystallised glucose*



*Maltodextrin*



*Sorbitol*



The Global Sweeteners Group processes the requisite production technologies or knowhow for production of its corn sweeteners. The corn sweeteners of the Global Sweeteners Group, other than HFCS, are common commodity products and do not involve any specific or unique production technologies or knowhow.

Under the Joint Venture Structure Agreement, each of the Group and Mitsui has agreed to contribute their joint efforts in the production of sorbitol products by providing Global-Nikken (Hong Kong) and CDNP with trade secret, copyright and related technical support in respect of the engineering and design, operation standards, quality assurance methods and procedures, and other business and marketing information in support of their operation from time to time. In relation to the Global Sweeteners Group’s production of HFCS, Cargill has granted a technological licence to the Global Sweeteners Group for the use of certain technical or business information relating to the production of HFCS, in consideration of which Global Bio-chem-Cargill issued a promissory note for the principal amount of HK\$40 million to Cargill. Detailed terms of the promissory notes and other co-operations of the Global Sweeteners Group with Cargill are set out in the paragraph headed “History and development” in this section.

**QUALITY CONTROL**

The Directors believe that a high standard quality management system which is being applied consistently is crucial for maintaining the reputation of the Global Sweeteners Group. The Global Sweeteners Group’s quality objective is to pursue a high and consistent quality standard to meet the

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demands and requirements of the customers and the market. As a result, the Global Sweeteners Group places strong emphasis on quality control and quality assurance throughout its production process, from sourcing of production materials to inspection of finished products. The Global Sweeteners Group's automated production monitoring systems facilitate the quality assurance team of the Global Sweeteners Group in managing the production processes and maintaining quality standards.

To achieve the Global Sweeteners Group's quality objective, the Global Sweeteners Group has implemented a stringent quality management system. The Global Sweeteners Group's quality control department is responsible for formulating and implementing the quality control systems and ensuring that its manufacturing processes are in strict compliance with the PRC industry standards.

As at the Latest Practicable Date, the Global Sweeteners Group had 50 employees (including full time and temporary employees) in its quality control and procurement departments. Most of the Global Sweeteners Group's quality control team members have received tertiary diploma education and the Global Sweeteners Group set up training for them before they commenced work. In addition, employees working the quality control departments are required to undergo ongoing training to ensure that they understand and are well-trained to carry out quality control procedures.

Enterprise engaging in the production of starch sweeteners in the PRC must comply with the PRC National Standard (中國人民共和國國家標準) GB1520-2003 issued by the State General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局). Such standards include benchmarks pertaining to starch sweeteners, hygiene standards for the production process of starch sweeteners, methods of packaging, labelling and storage, and methods of inspection.

In the absence of both national and trade standards for products manufactured by an enterprise, standards for the enterprise are formulated to serve as the criteria for the organisation of production. Standards organised by an enterprise for the organisation of production of its products are required to be reported to the standardisation administration department and the competent administrative authorities under the local government for record. Where national or trade standards have been formulated, the State encourages enterprises to formulate their own standards, which should be more stringent than the national or trade standards, to be used in these enterprises.

Both Changchun Dihao and Hao Cheng attained the ISO9001:2000 accreditation for their quality control systems by the China Quality Certification Centre in June 2006 and expiring in February 2009. In addition, Hao Cheng has been accredited for its hygiene conditions under the HACCP (Hazard Analysis and Critical Control Point) certification awarded by the China Quality Certification Centre in 2006 and expiring in February 2009. The Directors confirm that the Global Sweeteners Group is in compliance with the PRC national standard GB15203-2003 with all of its production facilities.

The internal quality control handbooks of the Global Sweeteners Group cover, among others, explanations of the business unit, rules and guidelines for work process, purchase and management of raw materials and other materials, production process, management of storage and transportation, production standards and product quality control. The internal quality controls are mainly operated according to the requirements of ISO9001 quality management systems, which the Directors consider to be widely adopted in the industry. The Global Sweeteners Group will continue to place emphasis on the importance of quality control, including but not limited to hiring experienced people in the industry and arranging trainings for its employees, which the Directors believe to be crucial for the Global Sweeteners Group's ongoing compliance with the requirements of the accreditations obtained.

**Incoming production materials**

The Global Sweeteners Group sources its principal production materials (i.e. corn starch) from the production plants of the GBT Group. For Changchun Dihao, corn starch slurry is directly transferred from production plant of the GBT Group to Changchun Dihao through pipelines, which are equipped with automated reading systems to continuously measure the starch slurry's Baume, net mass flow and concentration are carried out continuously. For Hao Cheng, deliveries of corn starch powder take place at the production plants of the GBT Group whereupon samplings are carried out by the Global Sweeteners Group for the delivery to ensure the materials meet the Global Sweeteners Group's standards and specifications. All other production materials and supplemental materials which are delivered from suppliers of the Global Sweeteners Group from different locations, samplings are carried out upon their delivery at the Global Sweeteners Group's production facilities. Production materials that do not meet the Global Sweeteners Group's standards and specifications will be returned to the suppliers.

**Production process**

The quality control teams closely monitor the production processes with the assistance of the Group's automated manufacturing systems to ensure product quality. Certain key indicators of the starch slurry are being monitored on a regular basis to ensure the quality of the output before proceeding to the next production process. In addition, the quality of semi-finished products are being randomly tested to ensure that the finished products meet the quality standards. The Directors believe that the stringent control adopted can minimise the production cost by detecting defected or poor quality products or unusual production condition in the system at an earlier stage of production.

**Finished products**

Physical and chemical analyses on the products are being carried out by the quality control teams on a regular basis to ensure the finished products meet the standards and requirements of the customers and the market prior to delivering the finished products to the customers and/or other facilities of the Global Sweeteners Group. It has been the practice of the Global Sweeteners Group to exchange for products sold which customers are not satisfied with the quality of the products due to the failure of the Global Sweeteners Group to meet the standard and requirements stipulated by customers.

During the Track Record Period, the Global Sweeteners Group have not encountered any material complaint on the quality of its products.

**RESEARCH AND DEVELOPMENT**

The Global Sweeteners Group's research and development work is carried out by the quality control development personnel as part of its production process. Past projects and studies have focused on the enhancement of quality control, specially-assigned task force consisting of enhancement of production techniques and development of new applications for customers. As these research and development works are part of the Global Sweeteners Group's production process, the costs of which have been absorbed in the daily production costs of the Global Sweeteners Group, no additional product development cost had been incurred in respect thereof as the Global Sweeteners Group's research and development expenses during the Track Record Period.

**PRODUCTION MATERIALS AND SUPPLIERS**

The principal production material of the Global Sweeteners Group is corn starch which is readily available in the PRC. Purchases of corn starch accounted for about 80.3%, 90.1%, 90.6% and 89.8% of the Group's total procurement costs in each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. The Group sourced about 98.1%, 98.9%, 99.9% and 92.1% of the total value of corn starch purchased for each of the three years ended 31 December 2006 and the three months ended 31 March 2007, respectively, from the GBT Group in the forms of corn starch slurry and corn starch powder.

Corn kernels are the production materials for the manufacturing of corn starch which based on the Directors' knowledge and belief, both corn kernels and corn starch are widely available in the PRC. The Directors believe that the price of corn kernels is generally affected by various factors, including but not limited to the harvest of corn kernels in major corn producing areas during the year, the demand in the local and international markets, the quantity supply of corn kernels and the policy in relation to corn export in the PRC. As such, the price of corn kernels affects the price of corn starch. During the Track Record Period, the Global Sweeteners Group has not encountered any material problems in terms of the sourcing of corn starch.

Apart from corn starch, other production consumables sourced by the Global Sweeteners Group include enzymes and catalytic agents. As these supplemental materials are readily available in the PRC market, the Global Sweeteners Group has not encountered any material problems in sourcing such supplemental materials throughout the Track Record Period.

**Suppliers**

The Global Sweeteners Group has entered into the Corn Starch Master Purchase Agreement with the GBT Group for the supply of corn starch. Details of the Corn Starch Master Purchase Agreement are set out in the section headed "Continuing connected transactions" in this prospectus. For other production materials, the Global Sweeteners Group has not entered into any long-term contract with any suppliers other than other members of the Global Sweeteners Group.

There is no restriction against the Global Sweeteners Group from sourcing corn starch from suppliers other than the GBT Group under the Corn Starch Master Purchase Agreement. As mentioned above, corn starch and other production materials are readily available in the PRC and the Global Sweeteners Group has not encountered any difficulties in sourcing such materials for its production throughout the Track Record Period. The Directors do not anticipate any difficulty in sourcing sufficient supply of corn starch and other production materials in the PRC for its production. The Global Sweeteners Group maintains at least two suppliers for each type of other supplemental materials.

The GBT Group's production facilities in the Jilin province with the designed production capacity of 1,800,000 tonnes per annum, which to the best knowledge of the Directors has the largest designed production capacity in Jilin province, representing 40% of the market share (without taking into account of those production plants which utilise its corn starch internally for other downstream products). Two of the production facilities with a total designed production capacity of 1,200,000 tonnes (more than two times of the Global Sweeteners Group's annual requirements) are adjacent to principal manufacturing plant of the Global Sweeteners Group. Although the Global Sweeteners Group can purchase corn starch from other producers in the Jilin province, the Directors

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consider it to be commercially logical to purchase corn starch from the largest producer in Jilin province, namely the GBT Group, which has a proven track record of quality and stable supply, instead of from a number of smaller suppliers.

The Directors expect to continue the above arrangement in the foreseeable future and will continue to source from the GBT Group under the Corn Starch Master Purchase Agreement so long such purchases from the GBT Group are in the interests of the Company and the Shareholders as a whole.

For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the largest supplier of the Group (including its attributable interests in the Jointly-controlled Entities) accounted for about 78.7%, 89.1%, 90.4% and 82.7% of the total purchases of the Group, and the five largest suppliers of the Group (including its attributable interests in the Jointly-controlled Entities) accounted for about 84.4%, 92.8%, 94.0% and 89.6% of the total purchases of the Group respectively.

The largest supplier of the Group (including its attributable interests in the Jointly-controlled Entities) is the GBT Group. Details of the transactions entered into between the Global Sweeteners Group and the GBT Group during the Track Record Period are set out in the section headed “Continuing connected transactions” in this prospectus.

The Directors have confirmed that, save as disclosed above, none of the Directors, the chief executive, the substantial shareholders of the Company or its subsidiaries or any of their respective associates had any interest in any of the five largest suppliers of the Group (including its attributable interests in the Jointly-controlled Entities) during the Track Record Period.

The Directors consider that in the event of an increase in the cost of raw materials obtained from either the GBT Group or independent suppliers, the Global Sweeteners Group has the ability to shift part of its additional cost to its customers as the unit selling price of corn sweeteners in Changchun is in general cheaper than that in regions like Shanghai and Guangdong as the cost of production materials in the northern region in the PRC is in general lower than those in such other regions.

### INVENTORY CONTROL

The Global Sweeteners Group has implemented a stringent inventory control policy which is closely correlated to the annual sales plan of the Global Sweeteners Group. To minimise inventory cost, the management of the Global Sweeteners Group works closely with the sales and marketing teams and the procurement teams to conclude an optimal level of inventory for production materials and supplemental materials. The Directors believe that corn starch and other production materials are readily available in the PRC. As there are pipelines built between Changchun Dihao and the production facility of the GBT Group, corn starch is provided by the GBT Group on a continual basis in form of corn starch slurry and as such, no inventory of corn starch has been kept by Changchun Dihao during the Track Record Period. In respect of other production materials, one month inventory level is being kept to ensure continual production. The production plant in Shanghai maintained an inventory level of its production materials of at least one month which is essential to ensure a continual production.

Owing to the strong demand for the Global Sweeteners Group’s products and the accessibility to the major production materials of the Global Sweeteners Group, the Global Sweeteners Group had a very low inventory level throughout the Track Record Period. Generally, production materials are



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sourced and consumed by the Global Sweeteners Group on a continual basis, and accordingly inventory is kept at a relatively low level as compared to the turnover of the Global Sweeteners Group. As finished products are delivered to the customers within one week of completion of production. As such, inventory level of finished products are low compared to the turnover of the Group.

For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the inventory turnover days of the Group were about 32.3 days, 22.6 days, 21.7 days and 22.5 days respectively. The decrease in the inventory turnover days was mainly due to the increase in the volume of sales and therefore the cost of sales from about HK\$210.1 million for the year ended 31 December 2004 to about HK\$645.0 million and HK\$892.6 million for the year ended 31 December 2005 and 2006 respectively while the level of inventory increased by a lesser extent during the same period. The inventory turnover days for the three months ended 31 March 2007 remained at similar level as in 2006.

The inventory level of production materials (both raw materials and work in progress) of the Group as at 31 December 2004, 2005 and 2006 and 31 March 2007 were about HK\$27.4 million, HK\$20.8 million, HK\$43.5 million and HK\$38.3 million respectively. On the other hand, the inventory level of finished products of the Group as at 31 December 2004, 2005, 2006 and 31 March 2007 were about HK\$14.9 million, HK\$12.6 million, HK\$25.6 million and HK\$28.6 million respectively. As at 31 December 2006 and 31 March 2007, the inventory level of production materials and finished goods of the Group were at relatively similar levels as there was no further acquisition or significant increase in production volume. Furthermore, the experienced management team of the Global Sweeteners Group took advantage of the strong demand for the Global Sweeteners Group's products and the close proximity to the major production material supplier in maintaining a stable and low inventory level as compared to the turnover of the Group throughout the Track Record Period.

### TRANSPORTATION

The Global Sweeteners Group has its own means of transportation means for internal transfer and/or transportation of production materials, in-progress products and/or finished products between members of the Global Sweeteners Group at the same location. The Global Sweeteners Group outsources the transportation of finished products to its customers to independent service providers and such transportation costs are borne by them according to the agreed terms under their agreements. Alternatively, customers of the Global Sweeteners Group arrange their own mean(s) of transportation to collect finished products from the Global Sweeteners Group's production facilities.

During the Track Record Period, the Global Sweeteners Group has not experienced any incident or delay in product delivery due to transportation which the Global Sweeteners Group was responsible for.

### UTILITIES

Electricity, water, steam and wastewater treatment are the four major sources of utilities that members of the Global Sweeteners Group used in their production of corn sweeteners and operations.

The Global Sweeteners Group's and CDNP's respective production plant in Changchun source electricity, water, steam and wastewater treatment from the nearby production facilities of the GBT Group with reference to the actual cost incurred by it for the provision of such services. Owing to

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the close proximity of the production facilities of the Group and CDNP and that of the GBT Group, the Directors believe that sourcing of such utility services from the GBT Group minimised the capital expenditures for setting up its own electricity pipelines and other ancillary facilities. For the year ended 31 December 2006, the consumption of electricity, water, steam and wastewater treatment from the GBT Group accounted for about 8.6%, 11.6%, 14.9% and 14.2% of the GBT Group's capacity respectively. Details of the sourcing of utility services from the GBT Group are set out in the section headed "Continuing connected transactions" in this prospectus.

Hao Cheng sources electricity, water and wastewater treatment from Independent Third Parties for both itself and GCHF while Hao Cheng has its own facility for supply of steam and wastewater treatment for both itself and GCHF.

For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, costs of the four major sources of utilities (not including those costs incurred by Changchun Dihao prior to the acquisition by the GBT Group in 2004) of the Group (taking into account the portion borne by the Group by reference to its attributable interest in the Jointly-controlled Entities) are as follows:

	For the year ended 31 December			For the three months ended 31
	2004	2005	2006	March 2007
	<i>(HK\$ million)</i>			
<i>Water supply sourced from:</i>				
The GBT Group	2.2	4.2	2.9	0.5
Independent third parties	0.6	0.4	0.9	0.2
Subtotal <i>(Note)</i>	2.8	4.6	3.8	0.7
<i>Electricity supply sourced from:</i>				
The GBT Group	1.9	7.2	10.1	3.3
Independent third parties	1.0	0.9	2.1	1.2
Subtotal	2.9	8.1	12.2	4.5
<i>Steam supply sourced from:</i>				
The GBT Group	6.6	28.1	38.4	11.4
Independent third parties	8.0	10.3	13.2	0.9
Subtotal	14.6	38.4	51.6	12.3
<i>Wastewater treatment sourced from:</i>				
The GBT Group	2.2	5.6	4.7	1.0
Independent third parties	0.2	0.2	0.3	0.1
Subtotal <i>(Note)</i>	2.4	5.8	5.0	1.1
<i>Utilities sourced from:</i>				
The GBT Group	12.9	45.1	56.1	16.2
Independent third parties	9.8	11.8	16.5	2.4
Subtotal	22.7	56.9	72.6	18.6

*Note:* As wastewater was being recycled during 2006, the costs of water, wastewater treatment and the overall environmental protection expenses of the Group were lower for the year ended 31 December 2006 as compare to that of the previous year.

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The Directors confirm that the Global Sweeteners Group has not encountered any material interruption in terms of the supply of water, steam and obtaining wastewater treatment services throughout the Track Record Period. In addition, the Directors also confirm that the Global Sweeteners Group has not encountered material interruption to the supply of electricity or any significant increase in the cost of electricity throughout the Track Record Period.

As the Global Sweeteners Group has not experienced any material interruption in the provision of utility services based on the abovementioned sourcing arrangement during the Track Record Period, the Directors consider the sourcing arrangements to be adequate and in the interest of the Company and the Shareholders as a whole.

### INTELLECTUAL PROPERTY RIGHTS

The Global Sweeteners Group's products are marketed under different logos in the PRC. The table below sets out the logos used by the Global Sweeteners Group for the sale of its major products:

Major product(s)	Logo of products
glucose syrup, maltose syrup, maltodextrins, sorbitol and crystallised glucose	
glucose syrup and maltose syrup	

As at the Latest Practicable Date, the Global Sweeteners Group is also the registered owner of its trademark “” and “” in the PRC. Particulars of the Group's intellectual property rights are set out in the sub-paragraph headed “Intellectual property” under the paragraph headed “Further information about the business of the Group” in appendix V to this prospectus.

As far as the Directors are aware, there has not been any infringement or unauthorised use of the Global Sweeteners Group's intellectual property rights by any third party. The Global Sweeteners Group will take appropriate legal actions to protect its rights if there is any infringement or unauthorised use of its intellectual property rights in the future.

### COMPETITION

The senior management team of the Global Sweeteners Group had, on average, over 10 years of experience in the corn sweeteners and/or the corn starch manufacturing industries.

The Directors consider that entry barriers for the corn sweetener manufacturing industry to be relatively low. Competition within the industry mainly comes from local manufacturers, producing similar products as or substitutes. As such, the Directors believe that the future success of the Global Sweeteners Group relies on, among others, its reputation, price and quality of its products, product range, sales network, cost control and its ability to adopt and adjust to the market trends in a timely manner.

With the top few corn sweetener producers in the PRC together account for a majority of the market and the Directors believe that the Global Sweeteners Group is in direct competition with other key corn sweetener producers in the PRC. As one of the leading corn sweetener producers in

the PRC, the Directors believe that the Global Sweeteners Group has a competitive advantage based on the Global Sweeteners Group's industry leadership status, high product quality recognition and broad product range.

With its proven track record and as one of the largest corn sweetener producers in the PRC, the Directors believe the Global Sweeteners Group has a solid foundation for its future expansion and growth in the corn sweetener market in the PRC. Further, the Directors believe the Global Sweeteners Group enjoys economies of scale which have provided the Global Sweeteners Group competitive advantages over the existing and potential competitors in the corn sweetener market.

### **ENVIRONMENTAL PROTECTION**

#### **Environmental protection regulations**

In accordance with the PRC Environmental Protection Law (中華人民共和國環境保護法) adopted by the Standing Committee of the National People's Congress of the PRC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate. A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, and by adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities, from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit. If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the dangers and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

#### **Regulations regarding urban wastewater discharge**

According to the Regulation on the Management of Permission for Urban Wastewater Discharge, which became effective from 1 March, 2007, companies must obtain an urban wastewater discharge permit (城市排水許可證) from the competent urban wastewater discharge administration department of the local government authority before they may discharge wastewater to urban drainage network and its ancillary facilities. The urban wastewater discharge permit will remain

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valid for five years. If a company fails to obtain or maintain an urban wastewater discharge permit, it will be prohibited from discharging wastewater to urban drainage network and its ancillary facilities, failing which the offending company can be subject to a penalty of upto RMB50,000.

The Global Sweeteners Group adopts stringent environmental protection policy in its production. The vertically integrated production facilities of the Global Sweeteners Group enhance its ability to utilise each product manufactured during the production of corn sweeteners. The Global Sweeteners Group offers internal education and training courses for all management staff and other employees on a regular basis in order to ensure their skills and knowledge are of standards at their respective work places and to introduce new systems and technologies. New employees are required to attend an one-year on-the-job training course led by their supervisors to ensure that they are equipped with the necessary skills to perform their duties at work places. The Global Sweeteners Group has attained the ISO14001:2004 Certificate for its Environmental Management System where, the accrediting authority would carry out inspection on the Global Sweeteners Group's environmental management system on an annual basis and only renew such certificate if the environmental management system of the Global Sweeteners Group is up to the required standards. The accrediting authority would also provide training to the staff Global Sweeteners Group when a new system is to be introduced. These measures enable the Global Sweeteners Group to comply with the applicable laws and regulations on environmental protection.

The GBT Group provides wastewater treatment services to the Global Sweeteners Group's production facilities in Changchun. Details of such services have been set out under the section headed "Continuing connected transactions" to this prospectus. Under the Utilities Master Supply Agreements, the GBT Group will ensure that the wastewater treatment facilities and the wastewater and other waste discharged by its wastewater treatment facilities in Changchun will comply with all applicable national and provincial environmental protection laws and regulations, and shall indemnify and hold the Global Sweeteners Group fully indemnified against any claims, damages, losses, costs and expenses arising out of or in connection with any breach of the Utilities Master Supply Agreements, including any failure to comply with the applicable national and provincial environmental protection laws and regulations in respect of the discharge of wastewater and other waste by its wastewater treatment facilities, or any failure or disruption in providing its services to the Global Sweeteners Group other than as a result of any force majeure events such as war, calamity or any other events which are beyond the control of the GBT Group. For the production facilities in Shanghai, Hao Cheng has its own facility for wastewater treatment which handles most of its requirement and that of GCHF's while they also source part of such services from independent parties.

The Group incurred environmental protection expenses (for environmental protection activities including but not limited to the annual cost of compliance with applicable rules and regulations in the PRC) amounted to about HK\$2.4 million, HK\$5.8 million, HK\$5.0 million and HK\$1.1 million for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. As wastewater was being recycled during 2006, the overall environmental protection expenses of the Group were lower for the year ended 31 December 2006 as compared to that of the previous year. The Directors will continue to devote adequate resources to ensure the environmental protection activities carried out, directly or indirectly, by the Global Sweeteners Group are in compliance with applicable rules and regulations in the PRC.

Both Changchun Dihao and Hao Cheng obtained the ISO14001:2004 accreditation for its environmental protection system by the China Quality Certification Centre in June 2006, and Hao Cheng was commended for it by the Shanghai Municipal City Minhang District Environment Bureau in June 2007 for being an environmental law-abiding enterprise.

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As advised by the legal advisors of the Company on PRC laws, the Group is in compliance with the national and provincial discharge standard. In addition, the Directors consider that the Group's environmental protection systems and facilities comply with the applicable national and provincial environmental protection laws and regulations governing wastewater, waste gas, waste residue, physical waste materials and noise. As such, the Directors have no present intention to undertake any research and development project in reducing the impact of the production process on the environment or adopting any new technology in the existing production process or acquiring new facilities for use in the production process to reduce its impact on the environment.

### **SOCIAL, HEALTH AND SAFETY**

There is no specific social, health safety laws or regulations that apply to the sweeteners industry in the PRC. Members of the Global Sweeteners Group which are established in the PRC are required to comply with the PRC Production Safety Law (中華人民共和國安全生產法) and the PRC Labour Law (中華人民共和國勞動法).

Under the PRC Production Safety Law, the Global Sweeteners Group should comply with the national or industrial standards for production safety as from time to time prescribed under the applicable PRC law. In particular, the Global Sweeteners Group is required to establish and from time to time improve the responsibility system for production safety, with definite regulations and operating procedures, and to ensure that the production safety system can be effectively implemented. It should from time to time supervise the implementation of the safety measures, to eliminate any potential safety hazard in a timely manner and to establish emergency plans for work accidents. In addition, the Global Sweeteners Group should provide production safety trainings to its employees and to ensure that they possess the requisite knowledge of production safety, the regulations and operating procedures as well as any particular technique required to carry out the job safely.

Under the PRC Labour Law, the Global Sweeteners Group should not employ any person under the age of 16, and should not discriminate against any person on the ground of his race, gender or religion. Employees in the PRC are also entitled to protections under the PRC Labour Law with regard to the prescribed minimum number of holidays and maximum number of working hours. Besides, the Global Sweeteners Group should establish and improve its occupational safety and health system, strictly implement the national regulations and standards in respect of occupational safety and health and to provide protection in respect of occupational safety and health to its employees. Members of the Global Sweeteners Group and their respective employees (including temporary employees) in the PRC are also required to participate in certain social insurance schemes and to make contributions to them in accordance with the applicable PRC laws and regulations. Please refer to the paragraph headed "Benefits" in the section headed "Directors, senior management and staff" in this prospectus for detail.

The Directors confirm that the Global Sweeteners Group had not encountered any incidents of violation of safety requirement or non-compliance of relevant laws and regulation in relation to social and health standards.

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As at the Latest Practicable Date, the Global Sweeteners Group had not encountered any difficulties in fulfilling its customers' requirements due to social, health and safety issues. Maltodextrin and glucose syrup produced by Changchun Dihao have received kosher certification by the Orthodox Union, the world's largest and most widely recognised kosher certification agency, enabling Changchun Dihao to sell its products to food and beverage producers for use in manufacturing products for sale to Jewish communities around the world.

### INSURANCE

The Global Sweeteners Group has purchased insurance for its properties and made contributions to various social insurance for its employees in the PRC. Please refer to the paragraph headed "Benefits" in the section headed "Directors, senior management and staff" in this prospectus for detail of the social insurance for employees in the PRC. The Global Sweeteners Group does not maintain any insurance coverage for product liability. The Company legal advisors on PRC laws also advised that, for the products currently manufactured by the Global Sweeteners Group, there is no mandatory product liability insurance required to be adopted in the PRC. Based on their industry knowledge, the Directors are of the view that purchase of product liability insurance is not generally adopted in the corn sweeteners industry. Further, the Directors consider that it is not necessary to purchase product liability insurance as the Global Sweeteners Group's products are sold as ingredients to other producers/manufacturers and trading companies for further processing and/or sale. The Directors are of the view that the coverage of the insurance policies of the Global Sweeteners Group are adequate and are in compliance with the relevant rules and regulations in the PRC.

The Directors confirm that the Global Sweeteners Group had not experienced any material claim if not insurance has been purchased, there should not be any insurance claim in relation to its product liability throughout the Track Record Period.

### LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

To the best knowledge of the Directors, no members of the Global Sweeteners Group is engaged in any pending or threatened litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Global Sweeteners Group that would have a material adverse effect on the results of operations or financial condition of the Global Sweeteners Group.

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Under the PRC Food Hygiene Law (中華人民共和國食品衛生法), enterprises engaging in the manufacturing and operation of food products and food additive products in the PRC are required to obtain hygiene permit from the relevant PRC hygiene administrative authorities. Members of the Global Sweeteners Group which are established in the PRC have obtained the requisite business license and hygiene permit for engaging in the manufacturing of food products. These business licences are subject to annual examination by the relevant registration authority in the PRC. The hygiene permits are not subject to annual examination by the relevant hygiene administrative department in the PRC and their respective expiry dates are set out below:

<b>Name of the PRC members of the Global Sweeteners Group</b>	<b>Expiry date of the hygiene permit</b>
Changchun Dihao	9 June 2008
Hao Cheng	3 November 2009
Dihao Crystal	27 March 2011
GCHF	3 November 2009
CDNP	15 April 2010

In accordance with the Administrative Regulation on Hygiene Registration of Food for Export Production Enterprises (出口食品生產企業衛生註冊登記管理規定), a company or enterprise which intends to engage in the production, processing or storage of food products for export must first obtain a hygiene registration certificate from the respective import and export quarantine authority. The company or enterprise is required to pass its hygiene inspection, prior to obtaining such registration from the relevant authority. The hygiene registration certificate shall be valid for a term of three years.

Changchun Dihao has obtained a hygiene registration certificate with the expiry date of 25 January 2008.

Under the PRC Labour Law (中華人民共和國勞動法), the Provisional Regulations on Collection of Social Insurance Premiums (社會保險費徵繳暫行條例) and other relevant law and regulations in the PRC regarding the social insurance contribution requirements, enterprises in the PRC are required to make mandatory contributions to a number of social insurance schemes for its PRC employees eligible for such contributions.

According to the legal advisors to the Company on PRC laws, save for the inadvertent omission of social insurance contributions for certain of the Global Sweeteners Group's employees as stated in the paragraph headed "Benefits" in the section headed "Directors, senior management and staff" in this prospectus, and that the applications for the urban wastewater discharge by the PRC members of the Global Sweeteners Group were still in progress as at the Latest Practicable Date, it has obtained all necessary licences, certificates and permits for, and has complied with the applicable laws and regulations in all material aspects in respect of, the operation of its business. As advised by the legal advisors to the Company on PRC laws, under the applicable PRC laws, the Global Sweeteners Group can be requested to repay the outstanding contribution to the social insurance scheme and, if it fails to pay within the period prescribed by the relevant government authority, it may be subject to monetary penalties. As the legal ramification of such breach is purely monetary, the breach would not affect the operation and/or the legal subsistence of the Global Sweeteners Group.

The supervising environmental protection bureau of each PRC members of the Global Sweeteners Group had confirmed the due compliance of the applicable environmental protection laws and regulations in the PRC and had not been subject to any administrative penalty by the



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## BUSINESS

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relevant bureaus. The Regulation on the Management of Permission for Urban Wastewater Discharge had only become effective since 1 March 2007 and the Shanghai members of the Global Sweeteners Group had already applied for the relevant permit shortly after that date. As advised by the legal advisors of the Company on PRC laws, the Group has not breached the requirement regarding the obtaining of the urban waste discharge permits.

Having considered the above, the Directors are of the view that the Global Sweeteners Group has complied with relevant laws and regulations in the PRC in all material aspects.

### **RELATED PARTY TRANSACTIONS**

During the Track Record Period, the Global Sweeteners Group entered into certain related party transactions, details of which are set out in note 26 headed “Related party transactions” to the accountants’ report set out in appendix I to this prospectus. The Directors (including the independent non-executive Directors) are of the opinion that the related party transactions have been entered into on normal commercial terms.

On 15 August 2007, the Global Sweeteners Group was granted certain building ownership certificates for its production facilities in Changchun. As a portion of such buildings is situated on the land of the GBT Group, the Global Sweeteners Group acquired such parcel of land from the GBT Group for a consideration of about HK\$3.6 million which was determined after arm’s length negotiations between the Global Sweeteners Group and the GBT Group and with reference to a valuation prepared by an independent surveyor in the PRC.

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## RELATIONSHIP WITH THE GBT GROUP

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### BACKGROUND INFORMATION OF THE GBT GROUP

GBT is a company incorporated in the Cayman Islands under the Companies Law on 18 May 2000 with limited liability, the shares of which have been listed on the main board of the Stock Exchange since 16 March 2001. Immediately upon completion of the Share Offer and the Capitalisation Issue but without taking into account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, GBT, through its wholly-owned subsidiary, Global Corn Bio-chem, will be interested in 70% of the then issued share capital of the Company.

The GBT Group is principally engaged in the manufacture and sale of corn-refined and corn-based biochemical products other than corn sweeteners (save for corn sweeteners produced by it for its internal use as production materials for production of its other corn-based biochemical products) in the PRC. The GBT Group is a leading vertically integrated corn-based biochemical product manufacturers (other than corn sweeteners) in the Asia Pacific region and the global market.

The Global Sweeteners Group had been operated as an integral part of the GBT Group and had not been operated independent from the GBT Group since its establishment or, in respect of Changchun Dihao, since it became a member of the Global Sweeteners Group in 2004. During the Track Record Period, the Global Sweeteners Group had sold a portion of its products to, and had sourced certain utility services and a significant portion of its production materials from, the GBT Group. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the total cost of procurement of corn starch sourced from the GBT Group by the Group (including GCHF) represented about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group respectively. During the same period, the GBT Group was the largest customer of the Group, accounting for 2.3%, 45.8%, 40.2% and 41.3% of the sales of the Group (taking into account its attributable interests in the Jointly-controlled Entities).

Apart from the sourcing of production materials and utility services from, and the grant of certain trademark licence by, and supply of corn sweeteners to, the GBT Group, the Global Sweeteners Group does not have any other business relationship with the GBT Group. Details of such continuing connected transactions are set out under the section headed "Continuing connected transactions" in this prospectus.

### RELATIONSHIP WITH THE GBT GROUP

As stated in the annual report of GBT for the year ended 31 December 2006, the GBT Group is principally engaged in the manufacture and sale of corn based refined products, including upstream products such as corn starch, gluten meal and other corn refined products, and downstream products such as amino acids, corn sweeteners, modified starch and polyol products. The principal raw material of the GBT Group is corn kernels. On the other hand, corn starch, being one of the upstream products of the GBT Group, is one of the principal production materials of the products of the Global Sweeteners Group. In addition, the products of the Global Sweeteners Group and the GBT Group sold are different and each category of the products has its own application and cannot be used as a substitute of the products produced by the other group. As the respective principal raw materials, production materials and the products of the Global Sweeteners Group and the GBT Group are different and their respective products cannot be used as a substitute of the products produced by the other group, the Directors are of the view that there will not be any actual or potential competition between the respective businesses of the Global Sweeteners Group and the GBT Group.

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## RELATIONSHIP WITH THE GBT GROUP

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For each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the total cost of procurement of corn starch sourced from the GBT Group by the Group amounted to about HK\$226.4 million, HK\$545.1 million, HK\$794.7 million and HK\$232.5 million respectively, representing about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group for the corresponding period. On the other hand, the GBT Group was the largest customer of the Group, accounted for about 2.3%, 45.8%, 40.2% and 41.3% of the Group's sales for the corresponding periods.

The Directors expect that, immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, GBT will be indirectly interested in more than 50% of the issued share capital of the Company and the Company will continue to be an indirect non-wholly owned subsidiary of GBT following completion of the Share Offer. Since GBT will become a substantial Shareholder, GBT will be a connected person of the Company and any transaction entered into between the Group and the GBT Group is subject to (where applicable) announcement, reporting and/or independent shareholder approval requirements pursuant to Chapter 14A of the Listing Rules on the part of the Company, with the exception of those transactions for which there are exemptions pursuant to the Listing Rules. All continuing connected transactions (as defined under the Listing Rules) are subject to annual review by the independent non-executive Directors as well as the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules and, in respect of non-exempt connected transactions and continuing connected transactions, are subject to approval of the Board (with Director(s) having material interests in such transactions abstaining from voting) and the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Taking no account of any Shares to be taken up under the Share offer and Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option, Global Corn Bio-chem will own 70% of the Shares and the remaining 30% Shares will be in public hands immediately following completion of the Share Offer and the Capitalisation Issue, and, so far as the Directors are aware of, none of the directors, chief executive or substantial shareholders of GBT and their respective associates (as defined under Rule 14A.11 of the Listing Rules) will be (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company. On the above basis, the Directors expect that members of the Global Sweeteners Group will not be regarded as connected persons of GBT under Rules 14A.11(5) or 14A.11(6) of the Listing Rules.

### **Independence of management**

As at the Latest Practicable Date, the Board had eight members, comprising four executive Directors and four independent non-executive Directors while the board of directors of GBT had eight members, comprising four executive directors, one non-executive director and three independent non-executive directors. In addition, eight employees of the GBT Group are referred to and regarded as GBT's senior management in the annual report of GBT for the year ended 31 December 2006.

Mr. Kong Zhanpeng, an executive Director and the Chairman of the Company, is an executive director of GBT but will resign from such directorship before the Listing. He is beneficially interested in more than 5% interest in the share capital of GBT.

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## RELATIONSHIP WITH THE GBT GROUP

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Mr. Lee Chi Yung, the qualified accountant and company secretary of the Company, is also a member of the senior management of GBT, assisting the financial controller of GBT on statutory and financial reporting. Mr. Lee has resigned from GBT and ceased to have any role in the operation of the GBT Group since 31 August 2007.

During the Track Record Period, Mr. Liu Xiaoming, Mr. Xu Zhouwen, Mr. Kong Zhanpeng and Mr. Wang Tieguaang are directors of GBT, and Mr. Wang Hui and Mr. Zheng Guichen, both of whom are members of senior management of the GBT Group, were the directors of certain group companies of the Global Sweeteners Group. The role of Mr. Kong Zhanpeng in GBT and its member companies, including the Global Sweeteners Group, are mainly on strategic planning and the formation of the overall development direction of the whole group, while the operation of individual subsidiaries is undertaken by their respective general managers and members of senior management.

The Directors confirm that such overlapping personnel, other than Mr. Kong Zhanpeng, had been appointed to the offices for the sole purpose of fulfilling the requirements under the respective articles of association of the relevant PRC members of the Global Sweeteners Group in relation to the number of directors to be nominated by investors of the relevant member of the Global Sweeteners Group. The Group removed Mr. Xu Zhouwen, Mr. Liu Xiaoming, Mr. Wang Tieguaang, Mr. Wang Hui and Mr. Zheng Guichen and replaced such directors with Mr. Kong Zhanpeng, Mr. Zhang Fazheng, Ms. Li Xiaoming and Mr. Gong Zhaoguo (who has been the senior management and manager of the human resources department and purchase department of Changchun Dihao since 2001 and has not held any position in the GBT Group since August 2007).

Apart from Mr. Xu Zhouwen, Mr. Kong Zhanpeng, Mr. Lee Chi Yung, Mr. Wang Hui and Mr. Zheng Guichen, as mentioned above, no other directors or senior management of the Group had any role in the GBT Group. As at the Latest Practicable Date, apart from Mr. Kong Zhanpeng, no other director or senior management of the Group had any role in the GBT Group. Mr. Kong will resign from his directorships of members of the GBT Group and from GBT's remuneration committee.

As mentioned in the section headed "Directors, senior management and staff" of this prospectus, Mr. Kong Zhanpeng is responsible for the Group's corporate management and investors' relationship management. In addition, Mr. Kong Zhanpeng has extensive experience in investments and corn manufacturing. The Global Sweeteners Group will remain as subsidiaries and jointly-controlled entities of GBT and the Directors and senior management have contributed to the success of the Global Sweeteners Group.

### **Corporate governance measures to avoid conflict of interests**

In the event that there are conflict of interest in the operations of the Group and the GBT Group, and in respect of any proposed contract or arrangement between the GBT Group and the Global Sweeteners Group, including any connected transactions or continuing connected transactions entered or to be entered into between the GBT Group and the Global Sweeteners Group and matters relating to the non-compete undertaking given by GBT and Global Corn Bio-chem as referred to in the paragraph headed "Non-compete undertaking" in the section headed "Relationship with the GBT Group" in this prospectus, a relevant board meeting attended by disinterested Directors who have no material interest in the matter shall be held to deliberate on the matter. Mr. Kong Zhanpeng, an executive Director and the Chairman of the Company, is an executive director of GBT but will resign from such directorship before the Listing. He is beneficially interested in more than 5% interest in the share capital of GBT as at the Latest Practicable Date.

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## RELATIONSHIP WITH THE GBT GROUP

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The articles of association of the Company provide that, save for certain matters as prescribed under the articles of association, details of which are set out in the sub-paragraph headed “Disclosure of interests in contracts with the Company or any of its subsidiaries” in the paragraph headed “Articles of Association” in appendix IV to this prospectus, where any Director or his/her associates has a material interest in a matter, he may not vote on the resolutions of the Board approving the matter and shall not be counted in the quorum for the voting as required under the Listing Rules. Such Director will be required to physically absent himself from the relevant session of the Board meeting before the disinterested Directors discuss and decide on the matter, unless he is required to be present by resolution of the disinterested Directors. Even if a Director who has conflict of interests is invited to attend the relevant session of the meetings of the Board where transactions between the Global Sweeteners Group and the GBT Group are to be discussed, such Director may not vote and shall not be counted in the quorum for the voting on such transactions.

On the basis that (i) Mr. Kong Zhanpeng will resign from his directorships of members of the GBT Group before the Listing; (ii) other than Mr. Kong Zhanpeng, one of the executive Directors has joined the Global Sweeteners Group for about eight years and one executive Director has joined the Global Sweeteners Group since October 2004, and they have extensive experience and expertise in respect of different respects of the operation and management of the sweeteners business, including but not limited to sales and marketing, production, operation, quality control, financial and accounts; and (iii) Mr. Gao Yunchun, one of the independent non-executive Directors, has relevant chemical industry knowledge, the Directors are of the view that the Board will have the expertise to transact business which may potentially involve conflicts of interest between the GBT Group and the Global Sweeteners Group objectively, impartially and in the best interest of the Company and its Shareholders as a whole. Besides, conflicts of interests of any overlapping Directors will not affect the business operations of the Global Sweeteners Group as the daily business operations of the Global Sweeteners Group in the PRC are operated and implemented by employees of the Global Sweeteners Group under the strategic directions of the Board or, as the case may be, the experienced and disinterested Board.

Under the agreements governing the non-exempt continuing connected transactions as referred to in the paragraph headed “Continuing connected transactions subject to the reporting, announcement and (if applicable) shareholders’ approval requirements in respect of which a waiver has been granted by the Stock Exchange” in the section headed “Continuing connected transactions” in this prospectus, the counterparties to these agreements have undertaken to the Group to allow the Group’s auditors sufficient access to their records for reporting on the transactions involved. Similarly, under the non-compete undertaking given by GBT and Global Corn Bio-chem, GBT and Global Corn Bio-chem have also jointly and severally undertaken to the Global Sweeteners Group to allow the Directors, their representatives and the auditors to have sufficient access to the records of GBT and/or other members of the GBT Group to ensure its compliance of the terms and conditions under the non-compete undertaking.

Under Rules 14A.37 and 14A.38 of the Listing Rules, all continuing connected transactions between the Global Sweeteners Group and the GBT Group are subject to annual review by the independent non-executive Directors as well as the auditors of the Company to ensure, among other things, that (i) the disinterested Board has approved the transactions; (ii) the transactions are in the ordinary and usual course of business of the Group; (iii) the transactions are either on normal commercial terms or, if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties; (iv) the transactions have been entered into in accordance with the relevant agreement governing them that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In order to comply with these requirements, the

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## RELATIONSHIP WITH THE GBT GROUP

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management of the Global Sweeteners Group will continuously monitor the conducts of all continuing connected transactions between the Global Sweeteners Group and the GBT Group to ensure that all these transactions will be conducted in the above manner, failing which the Company will need to re-comply with the reporting, announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the relevant transactions.

In addition to the above annual review requirements as prescribed under the Listing Rules, the Group has adopted a more stringent system to control over the potential conflicts of interests between the Group and the GBT Group such that (i) in the event that there are directors of the Group and the GBT Group who have conflict of interests, such directors will not be involved in matters relating to the continuing connected transactions between the Global Sweeteners Group and the GBT Group; and (ii) the disinterested Directors, in particular, the independent non-executive Directors, will be able to participate in monitoring transactions between the Global Sweeteners Group and the GBT Group in a more proactive manner.

Monitoring, review and management of the continuing connected transactions between the Group and the GBT Group will be assigned to the CCT Executive Committee comprising two executive Directors, namely Mr. Zhang Fusheng and Ms. Wang Guifeng, who are responsible for all matters relating to these transactions under the supervision of the CCT Supervisory Committee.

The CCT Supervisory Committee, comprising four independent non-executive Directors has been established by the Board with definite terms of references. The main responsibilities of the CCT Supervisory Committee are as follows:

1. to review and approve the terms and conditions, in particular the pricing formulae and other major commercial terms (including credit terms) as set out in the Sorbitol Master Supply Agreement, Corn Starch Master Purchase Agreement, the Corn Sweeteners Master Sales Agreement, the Utilities Master Supply Agreement and agreements governing other continuing connected transactions from time to time entered into between the Group and the GBT Group (collectively, the “**Master Agreements**”);
2. to devise and revise detailed rules and guideline (“**Prescribed Guidelines**”) from time to time for the CCT Executive Committee to follow in order to ensure that the continuing connected transactions with the GBT Group will be entered into in accordance with the respective Master Agreements, on normal commercial terms and on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Prescribed Guidelines shall include procedures to be taken by the CCT Executive Committee before the Group may enter into the actual purchase orders for the acquisitions of corn starch from the GBT Group, or to accept the sale orders from the GBT Group for the sales of sorbitol and corn sweeteners to the GBT Group. The procedures shall include, among others:
  - (1) in respect of purchase of corn starch from the GBT Group
    - (i) CCT Executive Committee shall summarise the principal commercial terms for the proposed purchase (“**Proposed Purchase**”) as quoted by the GBT Group, including the specifications and quantity of the product required, the unit purchase price, the payment and other commercial terms;

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## RELATIONSHIP WITH THE GBT GROUP

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- (ii) CCT Executive Committee shall obtain quotations and other major commercial terms (including credit terms offered) for supply of corn starch of comparable specifications and quantities from such number of independent suppliers to be stipulated by the CCT Supervisory Committee from time to time; and
  - (iii) in respect of Changchun Dihao whereby corn starch is to be purchased from the GBT Group in slurry form:
    - (A) CCT Executive Committee shall obtain quotations and other major commercial terms (including credit terms offered) for supply of corn starch in slurry form of comparable quantities and specifications from a number of independent suppliers to be stipulated by the CCT Supervisory Committee from time to time; and
    - (B) CCT Executive Committee should conduct a detailed analysis (with supporting evidence):
      - (a) if the quotations for supply of corn starch in slurry form obtained from those independent suppliers are exclusive of any of transportation, storage and/or insurance cost, such additional cost to be incurred by the Group (whether by itself or through independent third party service providers); and
      - (b) with reference to the findings from the above, whether the quotation given by the GBT Group in respect of the Proposed Purchase has been determined by reference to the then market price of the corn starch as reduced by such amount of costs saved, and whether such amount of costs saved are not less than the estimated cost to be incurred by the Group (whether by itself or through third parties suppliers/service providers) had the Group obtained the corn starch from independent suppliers.
- (2) in respect of sales of corn sweeteners and sorbitol to the GBT Group, before giving a quotation to the GBT Group for the proposed sale (“**Proposed Sale**”) of the Group’s products to the GBT Group:
- (i) CCT Executive Committee shall obtain market information regarding the prevailing market price of corn sweeteners and sorbitol of comparable specifications and quantities;
  - (ii) if there is insufficient information on market price available, CCT Executive Committee shall make a detailed analysis of the price and other major commercial terms recently offered by the Group to independent third party purchasers for sales of products for comparable specifications and quantities; and
  - (iii) where the above market pricing information or the selling price offered to third party purchasers relate to corn sweeteners and sorbitol of different specifications, CCT Executive Committee shall make a detailed analysis as to how the proposed quotation for the Proposed Sale should be determined with reference to the above market pricing information or the selling price offered to

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## RELATIONSHIP WITH THE GBT GROUP

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third party purchasers to ensure that the proposed selling price of the product with such particular specifications is fair and reasonable and on normal commercial terms;

- (3) CCT Executive Committee must make an application (“**Application**”) to the CCT Supervisory Committee containing the above information and confirming that (i) all the above procedures have been complied with, and (ii) the Proposed Purchase or the Proposed Sale will be entered into in accordance with the terms and conditions of the relevant Master Agreements. The CCT Executive Committee may only proceed with the Proposed Sale or the Proposed Purchase after obtaining the approval by the CCT Supervisory Committee. The CCT Executive Committee will need to comply with the above procedures and seek the CCT Supervisory Committee’s approval in respect of any proposed change to the terms of the Proposed Sale or the Proposed Purchase again.
3. to review the Application from the CCT Executive Committee and to pre-approve the Proposed Sale and the Proposed Purchase on the terms as set out therein. The CCT Supervisory Committee may request the CCT Executive Committee to provide further information or to undertake further procedures to ensure the reliability of the information and confirmation given in the Application for the Proposed Purchase and Proposed Sale, the Prescribed Guidelines have been complied with and that the Proposed Sale and the Proposed Purchase will be entered into in accordance with the respective Master Agreements;
4. to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to the execution of the pre-approved Proposed Sale and the Proposed Purchase as to whether they have been proceeded with in accordance with the pre-approvals (the “**CCT Quarterly Report**”);
5. in respect of the Utilities Master Supplies Agreement, whereby the fees will be charged on cost-reimbursement basis and therefore the above pre-approval procedures are not applicable, to review the CCT Quarterly Report from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group;
6. should the CCT Supervisory Committee consider necessary and appropriate, it may, at the cost of the Company, engage independent professional(s) to assist in reviewing the terms of the continuing connected transactions with the GBT Group; and
7. to report its findings during its review of the CCT Quarterly Report to the Board and to give recommendations to the Board to ensure that the transactions will be entered into in the interests of the Group and the Shareholders as a whole.

The auditors of the Global Sweeteners Group will be engaged to review the continuing connected transactions with the GBT Group on a semi-annual basis and report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.38 of the Listing Rules.



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## RELATIONSHIP WITH THE GBT GROUP

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The Company will include a summary of the Prescribed Guidelines and other corporate governance procedures adopted by the Group in respect of the continuing connected transactions with the GBT Group and the findings of the CCT Supervisory Committee in respect of the effectiveness of the Prescribed Guidelines and changes made to the Prescribed Guidelines at the recommendation of the CCT Supervisory Committee during the year in its corporate governance report to be contained in its annual report. In addition, the Company will publish details of the findings of the CCT Supervisory Committee's review of the CCT Quarterly Report as soon as practicable after the Board's review of such findings by way of announcement(s).

The Directors consider that the above corporate governance measures (including the entering into of the agreements in relation to the continuing connected transactions of the Company) are sufficient to manage any potential conflicts of interests between the Global Sweeteners Group and the GBT Group and to protect the interests of the minority Shareholders.

### **Operational independence**

Despite being part of the GBT Group prior to completion of the Reorganisation, the Global Sweeteners Group has been operating independently from the GBT Group with, among others, its own production team, production facilities, sales and marketing teams and administrative resources. Other than the transactions set out under the section headed "Continuing connected transactions" of this prospectus, there will be no other transactions to be provided by or to the GBT Group.

#### *Purchase of corn starch*

For the three years ended 31 December 2006 and the three months ended 31 March 2007, the total cost of procurement of corn starch sourced from the GBT Group by the Group (including GCHF) amounted to about HK\$226.4 million, HK\$545.1 million, HK\$794.7 million and HK\$232.5 million, representing about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group. The production volume of corn starch by the GBT Group varied and the amount of corn starch sold to the Group as a percentage of the sales of corn starch produced by the GBT Group was in the range of 20% to 50% during the Track Record Period. The purchase price of corn starch has been agreed between the Group and the GBT Group with reference to the terms offered by the GBT Group to Independent Third Parties and the prevailing market rates of corn starch powder and, in respect of corn starch purchased by the Group's production facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, with adjustments made with reference to the dehumidifying, packaging, transportation, storage and other related costs saved by GBT Group. The Directors consider that such purchase price of starch slurry from the GBT Group are on normal commercial terms, taking into account the related cost saved by the Global Sweeteners Group, as it is normal commercial practices for the purchaser (being the Global Sweeteners Group in the current case) for this type of transactions to bear such related cost.

The Directors consider that the sourcing of corn starch from one of the largest corn starch manufacturers in the province and in the PRC is beneficial to the Group as the GBT Group has a proven track record of quality products and the Group can source reliable supply and consistent quality of production materials and at the same time, owing to the close proximity of the production facilities of the Group and the GBT Group in Changchun, the Group can minimise its transportation and administrative costs. Also, production costs of the Group can be reduced by using starch slurry instead of starch powder as it will not be required to dissolve the starch powder into starch slurry which would allow for lower processing and material costs. For the three months ended 31 March 2007, the average price of corn starch purchased by the Group's production facilities in Changchun from the GBT Group in the form of starch slurry was about HK\$1,554 per tonne, while the average

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## RELATIONSHIP WITH THE GBT GROUP

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market price for the corn starch powder available in Changchun ranged between HK\$1,840 to HK\$1,972 per tonne during the same period, resulting an average related cost savings to the Group for each tonne of starch slurry purchased from the GBT Group by the Changchun production facilities of the Group of about RMB360. For indicative purposes only, based on the average related cost savings to the Group's production facilities in Changchun, comprising of the dehumidifying, packaging, transportation, storage and other related costs which are generally borne for purchasers as normal commercial practices, of about RMB360 per tonne during the three months ended March 2007 and the amount of corn starch slurry sourced by Changchun Dihao from the GBT Group for the three years ended 31 December 2006 and the three months ended 31 March 2007 of about 83,000 tonnes, 343,000 tonnes, 393,000 tonnes and 103,000 tonnes (total amount of corn starch sourced by the Group from the GBT Group amounted to about 162,000 tonnes, 420,000 tonnes, 499,000 tonnes and 130,000 tonnes), total purchase costs saved by Changchun Dihao were about HK\$29.9 million, HK\$123.5 million, HK\$141.5 million and HK\$37.1 million for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. In respect of the purchase of corn starch from the GBT Group by Hao Cheng, the selling prices have been determined with reference to terms offered by the GBT Group to Independent Third Parties and the prevailing market rates of corn starch powder. Should the Global Sweeteners Group decides to source corn starch from other independent third parties instead of the GBT Group, the Directors believe that the Global Sweeteners Group will be able to source corn starch at comparable quality, pricing and commercial terms as those offered by the GBT Group due to the large quantity that it demands. As long as the GBT Group can offer its corn starch to the Global Sweeteners Group on commercial terms as competitive as that offered by third party suppliers, the Directors expect to continue sourcing corn starch from the GBT Group subject to compliance with the applicable Listing Rules.

According to the DRC Report, there were about 90 enterprises in the PRC producing over 10 million tonnes of corn starch in the PRC for the year ended 31 December 2005 and a substantial portion of such production volume was from Shangdong, Hebei and Jilin provinces. As there are readily available supply of corn starch in the PRC, the Global Sweeteners Group can source its production materials, either corn starch in powder or slurry form, from the GBT Group and/or other suppliers in the market as there are other independent suppliers in the market that can offer to sell corn starch to the Global Sweeteners Group at comparable quality, pricing and commercial terms as those offer by the GBT Group. The Directors expect to continue sourcing corn starch from the GBT Group in the future. For each of the three years ending 31 December 2009, it is expected that all of the corn starch slurry required by the Group's existing production facilities in Changchun and about 76.9%, nil and nil of the corn starch powder required by the Group's and GCHF's existing and future production facilities for the production by the Global Sweeteners Group will be sourced from the GBT Group, respectively and the aggregate purchase price payable by the Group to the GBT Group will not exceed the annual monetary caps of HK\$891.4 million, HK\$755.2 million and HK\$830.8 million respectively, representing about 82.1%, 67.8% and 54.3% of the projected total cost of sales (or, about 96.9%, 79.7% and 63.9% of the projected total amount of purchase of corn starch) of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date.

As informed by GBT, during the Track Record Period, the GBT Group had not received any request from its independent customers, other than the then Changchun Dihao before it was acquired by the GBT Group and became a member of the Global Sweeteners Group, for supply of corn starch through pipeline arrangement. Such arrangement had been agreed between the GBT Group and Changchun Dihao after arm's length negotiations as between a supplier and an independent customer, and the GBT Group has been open for negotiation for similar pipeline arrangement with other Independent Third Parties to facilitate its customers' purchase.

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## RELATIONSHIP WITH THE GBT GROUP

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### *Sourcing of utility services*

Apart from sourcing production materials from the GBT Group, the Global Sweeteners Group's production plants at Changchun also sourced utility services, namely electricity, water, steam and wastewater treatment services, from the production plants of the GBT Group at Changchun. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the amounts payable by the Group in respect of the utility services provided by the GBT Group were about HK\$12.9 million, HK\$44.1 million, HK\$53.2 million and HK\$15.5 million respectively, and the entire amount payable by CDNP in respect of the utility services provided by the GBT Group were about nil, HK\$2.0 million, HK\$5.9 million and HK\$1.4 million respectively. During the Track Record Period, these utility services have been charged by the GBT Group with reference to the actual cost incurred by the GBT Group for the provision of such services, which is on normal commercial terms and on price not higher than that sourced by the Global Sweeteners Group from independent third parties. All such charges due and payable by the Group and CDNP for utility services sourced from the GBT Group up to the Latest Practicable Date had been settled.

Members of the Global Sweeteners Group are subsidiaries or jointly controlled entities of GBT, it was to the overall commercial benefit of and efficiency for GBT and its subsidiaries and jointly controlled entities to provide consolidated services to its group companies in order to achieve economies of scale and scope. The Global Sweeteners Group continues to source such utility services from the GBT Group because the cost is determined with reference to the actual cost incurred by the GBT Group for its provision of such services. Although it is possible for the Global Sweeteners Group to construct its own facilities or source such utility services from other parties, the Directors are of the view that it is for the commercial benefit of the Global Sweeteners Group to source such utility services from the GBT Group instead of incurring capital expenditure or additional cost for constructing its own facility or sourcing from third party suppliers, as the sourcing of such utility services from the GBT Group at an actual cost would be no worse off to the Global Sweeteners Group. The Directors have no present intention to incur significant capital outlay for the construction of facilities for all these utility services namely, electricity, steam and wastewater treatment with sufficient capacity to meet the Global Sweeteners Group's present production requirements at the Changchun productions site, which would amount to about HK\$106 million and require eight to 12 months to complete such construction. If the Group and CDNP at Changchun cease to source such utility services from the GBT Group, the Directors anticipate that (i) the sourcing of electricity from public electricity suppliers would first require certain complementary construction work which would incur expected capital outlay of about HK\$3 million with an expected construction time of about three months for the Global Sweeteners Group while the construction of the complementary facilities for sourcing water from public water suppliers is expected to be about HK\$1 million with an expected construction time of about three months and the unit costs for sourcing of such utility services from the GBT Group or other parties would be of no material difference as the price charged by the GBT Group will be determined with reference to the actual cost incurred; (ii) the cost for the Group to obtain wastewater treatment services (including transportation costs) from third party service providers, as estimated by the Directors based on information available, would be at least about HK\$13 per tonne, which is higher than the fee charged by the GBT Group of about HK\$6 per tonne due to the additional transportation and administration costs involved; and (iii) as there is no public supplier of steam, the Group would have to install and operate a coal-fired boiler on its own for production of steam, which will involve a capital expenditure of about RMB10 million and will take three to six months for installation thereof. The Directors expect to continue sourcing utility services from the GBT Group subject to compliance with the applicable Listing Rules.

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## RELATIONSHIP WITH THE GBT GROUP

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### *Supply of corn sweeteners*

The Global Sweeteners Group has been supplying corn sweeteners to the GBT Group throughout the Track Record Period for the GBT Group's production of amino acid and polyol products. The Directors believe that, owing to the close proximity of the production facilities of the Group and the GBT Group in Changchun, the GBT Group will be able to minimise its transportation and administrative costs in sourcing of corn sweeteners, which is also a competitive strength that the Global Sweeteners Group has over other independent third parties. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, sales of corn sweeteners by the Group to the GBT Group amounted to about HK\$6.1 million, HK\$375.2 million, HK\$456.8 million and HK\$137.7 million, accounted for about 2.3%, 45.5%, 39.9% and 40.9% of the turnover of the Group respectively. Based on the information contained in the annual reports of GBT, purchases of corn sweeteners from the Global Sweeteners Group represented about 0.3%, 12.4% and 12.9% of the cost of sales of the GBT Group respectively for each of the three years ended 31 December 2006, without taking into account any possible inter-company eliminations. The prices for such sale to the GBT Group have been determined at the prevailing market prices of the relevant corn sweeteners and under the Corn Sweeteners Master Sales Agreement, the Group will sell its corn sweeteners products at prices to be determined by the relevant member of the GBT Group at the Group with reference to the prevailing market rates of the relevant corn sweeteners product and on terms that are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to Independent Third Parties. As such, the Directors are of the view that it is no difference to the Group to sell its corn sweeteners to the GBT Group or other Independent Third Parties.

The Group has progressively decreased its supply of glucose syrup and other corn sweeteners to the GBT Group from about 40.9% of the turnover of the Group for the three months ended 31 March 2007 to less than 2.0% of the turnover of the Group based on the unaudited management account of the Group for the two months ended 31 May 2007, mainly by increasing the sale of corn sweeteners to third party customers. The Directors expect to cease the Group's sales of glucose and maltose syrup to the GBT Group after the Listing, but will continue selling crystallised glucose or other corn sweeteners to the GBT Group for its production of polyol products subject to compliance with the applicable Listing Rules.

For the reasons stated above, as it is in the interests of the Company to continue sourcing production materials from and utility services and selling corn sweeteners to the GBT Group, the Company has entered into agreements in relation to the abovementioned transactions with the GBT Group, details of which have been set out in the section headed "Continuing connected transactions" in this prospectus.

### *Independence access to suppliers*

The GBT Group has been the largest supplier of the Global Sweeteners Group for the three years ended 31 December 2006 and the three months ended 31 March 2007, representing about 98.1%, 98.9%, 99.9% and 92.1% of the total purchase of corn starch of the Group respectively. As mentioned above, it is in the interest of the Company to source its major production materials from the GBT Group due to the close proximity of the production facilities of the Global Sweeteners Group and the GBT Group. Apart from the GBT Group, there are other suppliers of corn starch in the market and the Group has been obtaining quotations from a number of independent suppliers. After taking into account of, among others, the quality and standard of the production materials, the market reputation of the suppliers, delivery schedule, price and finance costs of the materials, credit

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## RELATIONSHIP WITH THE GBT GROUP

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terms granted to the Global Sweeteners Group, the Directors will select the best available supplier(s) in the market for the benefit of the Global Sweeteners Group and also, to avoid over-reliance on any particular supplier.

### *Independent access to customers*

The Global Sweeteners Group's customers are mainly food and beverages manufacturers while feed manufacturers, chemical producers and food processors are the major customers of the GBT. As the target customers of the Group and those of the GBT Group are different, the Directors consider that their end-customers and their sales and marketing strategies are different. The Group's customers are mainly food and beverages manufacturers and the GBT Group's customers are mainly feed manufacturers, chemical producers and food processors in nature. Apart from certain customers of the Global Sweeteners Group that also source products from the GBT Group, there were no other overlapping customers between the Group and the GBT Group. For the three years ended 31 December 2006 and the three months ended 31 March 2007, such overlapping customers sourced products from the Global Sweeteners Group in an amount of about HK\$18.1 million, HK\$40.9 million, HK\$121.6 million and HK\$50.3 million, representing 6.8%, 5.0%, 10.6% and 15.0% of the total sales of the Global Sweeteners Group, and, to the best knowledge and belief of the Directors, from the GBT Group in an amount representing no more than 7.0% of the total sales of the GBT Group. The products sourced by such customers from the Global Sweeteners Group include all kinds of its corn sweeteners while those sourced from the GBT Group include corn starch, modified starch, lysine and other products and represented a relatively small portion of the overall sales amount of the Group and the GBT Group. As the products sourced by those customers from the two groups were different and the applications of the products of the Group and the GBT Group are different, the Directors are of the view that competition does not exist between the Group and the GBT Group despite there are overlapping distributors.

The Global Sweeteners Group has its independent teams to carry out the sale and marketing of its products. As mentioned above, the Group's customers are mainly food and beverages manufacturers, which is different from those of the GBT Group. As such, the Directors are of the view that the Global Sweeteners Group is able to carry out its sales and marketing function independently.

On the basis above, the Directors are of the view that the operation of the Global Sweeteners Group is independent from the Group. Nevertheless, the GBT Group has given a non-compete undertaking to the Global Sweeteners Group in respect of potential competition from the GBT Group.

### **Financial independence**

The Global Sweeteners Group has an independent financial system and finance team which is responsible for its own treasury function for cash receipts and payments despite its members are subsidiaries or jointly controlled entities of GBT during the Track Record Period. Balances with the ultimate holding company and the immediate holding company were not arisen from trading activities. As at 31 December 2006, the Group had an aggregate amount due to the ultimate holding company (namely, GBT) and the immediate holding company (namely, Global Corn Bio-chem) in the amount of about HK\$451.3 million, comprising mainly the consideration for the acquisition of 75% equity interest in Changchun Dihao in 2004 of about HK\$127.5 million, setting up of Global-Nikken (Hong Kong) and CDNP in 2004 of about HK\$59.3 million, the consideration for the acquisition of 25% equity interest in Changchun Dihao in 2005 of about HK\$180.3 million and funding from GBT for investment in Hao Cheng of about HK\$41.7 million and lending to Global

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## RELATIONSHIP WITH THE GBT GROUP

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Bio-chem-Cargill of about HK\$40.0 million. On the other hand, the Group had amount receivable from the immediate holding company (namely, Global Corn Bio-chem) in the amount of HK\$21.1 million as a result of the acquisition of 100% equity interests in Hao Cheng by the Global Sweeteners Group from members of the GBT Group as part of an internal restructuring in 2001. Further, certain bank borrowings of the Group with outstanding balances totalling about HK\$169.3 million, HK\$182.7 million, HK\$171.5 million and HK\$255.0 million, as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively were cross-guaranteed by the GBT Group, which agreements in principle for the release of such cross-guarantees upon the Listing have been obtained from the relevant banks. In addition, owing to the business relationship between the Global Sweeteners Group and the GBT Group, the Group had amount due to fellow subsidiaries in the amount of about HK\$167.0 million and amount due from fellow subsidiaries in the amount of HK\$361.7 million as at 31 March 2007. The abovementioned balances with the GBT Group will be settled by the Group prior to the Listing.

During the Track Record Period, members of the Global Sweeteners Group were subsidiaries or jointly controlled entities of GBT despite that their operations are carried out individually at company level, the financials of such companies are consolidated at the group level. As such, there was no fixed credit terms granted/obtained from such companies as these transactions were considered as internal transactions during such period. Therefore, the inter-companies balances arose as a result of the Reorganisation in order to separate the accounts of the two groups. The Global Sweeteners Group has its own financial system and internal control procedures which are independent from that of the GBT Group. On 4 September 2007, the Global Sweetener Group obtained a banking facility in the amount of HK\$300.0 million for settling the amounts due to the GBT Group. In order to govern the transactions between the Global Sweeteners Group and the GBT Group, the Company will enter into agreements with the GBT Group for the purchase of corn starch from the GBT Group and the sale of corn sweeteners to the GBT Group (details are set out under the paragraphs headed “Purchase of corn starch” and “Supply of corn sweeteners” in the “Continuing connected transactions” section of this prospectus respectively), under which the credit terms to be granted to the GBT Group for the sale of corn sweeteners will be shortened to 60 days, which is comparable with the credit terms granted to other customers of the Global Sweeteners Group, and the credit terms to be granted by the GBT Group will be shortened to 60 days, which is comparable with the credit granted by to its other customers for the purchase of corn starch.

On the basis above, the Directors are of the view that the financial system of the Global Sweeteners Group is independent from the Group and apart from the trade nature balances, the Group will not have any outstanding balances with, and guarantees from or to, the GBT Group upon the Listing.

Under the Joint Venture Structure Agreement, GBT has guaranteed the due performance of the Global Sweeteners Group under the Joint Venture Structure Agreement. Such guarantee shall be automatically released upon the Listing in accordance with the terms of the joint venture structure agreement. Under the Joint Venture Agreement, GBT has assumed certain rights and obligations in accordance with these agreements and certain other agreements ancillary thereto, and GBT and the Global Sweeteners Group have covenanted to be jointly and severally liable for each other's liabilities, obligations and undertakings under the Joint Venture Agreement. The Group has obtained the agreement in principle from Cargill for the novation by GBT to the Company of its rights and obligations under the Joint Venture Agreement and other agreements ancillary thereto as if the Company were the original party to each of these agreements, and the release and discharge of GBT from all such liabilities and obligations and undertakings (other than provisions in relation to confidentiality, non-competition and announcement) upon the Listing subject to, among others, the signing of the relevant deed of novation to be agreed.

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## RELATIONSHIP WITH THE GBT GROUP

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The Directors are of the view, and the Sponsor concurs, that there is no undue reliance by the Global Sweeteners Group on the GBT Group in any aspect of its operations based on the reasons stated above. In addition, the close working relationship between the two groups arose as a result of their strategic relationship in terms of the supply of corn starch and provision of utility services by the GBT Group and the sale of corn sweeteners to the GBT Group and the Global Sweeteners Group being part of the group of companies of GBT.

### NON-COMPETE UNDERTAKING

In order to further delineate the respective businesses of the GBT Group and that of the Global Sweeteners Group and to protect the Global Sweeteners Group from any potential competition from the GBT Group, GBT and Global Corn Bio-chem (the “**Covenantors**”) have given an irrevocable non-compete undertaking in favour of the Company on 3 September 2007 pursuant to which each of the Covenantors has, among other matters, irrevocably and unconditionally undertaken with the Company on a joint and several basis that at any time during the Relevant Period (as defined below), each Covenantor shall, and shall procure that its associates (which shall include other members of the GBT Group but excluding the Global Sweeteners Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by the Global Sweeteners Group and associated companies (the “**Associated Companies**”) of the Company (the “**Restricted Business**”), including but not limited to the marketing, sales, distribution and/or supply of any corn sweeteners products and other products of the Global Sweeteners Group and the Associated Companies from time to time (the “**Restricted Products**”);
- (ii) not solicit any existing or then existing employee of the Global Sweeteners Group and the Associated Companies for employment by it or its associates (excluding the Global Sweeteners Group and the Associated Companies);
- (iii) not, without the consent from the Company, make use of any information pertaining to the business of the Global Sweeteners Group and the Associated Companies which may have come to its knowledge in its capacity as the Controlling Shareholder for any purpose including competing with the Restricted Business;
- (iv) in respect of any order or any part of it undertaken or proposed to be undertaken by it or its associates for the sales, distribution, and/or supply of any Restricted Products, unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of the Global Sweeteners Group and the Associated Companies for the sales and supply of the Restricted Products under the relevant order; and

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## RELATIONSHIP WITH THE GBT GROUP

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For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire for the earliest of the dates below:
  - (a) the date on which the relevant Covenantor ceases to a Controlling Shareholder for the purpose of the Listing Rules;
  - (b) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means any of the following businesses:
  - (a) the direct or indirect investments of the Covenantor and/or its associates (excluding the Global Sweeteners Group and the Associated Companies) in any member of the Global Sweeteners Group and the Associated Companies;
  - (b) the production of the Restricted Products by any member of the GBT Group either (i) for supply and/or provision thereof to any member of the Global Sweeteners Group; or (ii) for supply and/or provision thereof to the Covenantor and/or other member of the GBT Group, for use thereby as production materials for production of its own products, but not for other purposes.

Under the non-compete undertaking, the Covenantors have also jointly and severally undertaken to the Global Sweeteners Group to allow the Directors, their representative and the auditors of the Global Sweeteners Group to have sufficient access to the records of GBT and/or other members of the GBT Group to ensure their compliance of the terms and conditions of the non-compete undertaking.



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## CONTINUING CONNECTED TRANSACTIONS

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### CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions set forth below will constitute continuing connected transactions (as such term is defined under the Listing Rules) for the Company. **In this section, all references to revenues of, amounts payable to/by, and other financial information of the Group exclude those of, to or by the Jointly-controlled Entities.**

### RELATIONSHIP BETWEEN THE GROUP AND ITS CONNECTED PERSONS

Global Corn Bio-chem is and will become a substantial Shareholder immediately following completion of the Share Offer and the Capitalisation Issue and is therefore a connected person of the Company.

Under the Listing Rules, for so long as Global Corn Bio-chem remains as a connected person of the Company, the following transactions between the Global Sweeteners Group and Global Corn Bio-chem and/or its associates (which include members of the GBT Group) would constitute connected transactions upon the Listing.

### CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNOUNCEMENT AND (IF APPLICABLE) SHAREHOLDERS' APPROVAL REQUIREMENTS IN RESPECT OF WHICH A WAIVER HAS BEEN GRANTED BY THE STOCK EXCHANGE

The following connected transactions for the Company are on normal commercial terms and are subject to the reporting, announcement and (if applicable) shareholders' approval requirements under rules 14A.45 to 14A.56 of the Listing Rules. A waiver application from strict compliance with the relevant announcement and (if applicable) shareholders' approval requirements under the Listing Rules has been submitted to the Stock Exchange, subject to the conditions set forth under "Waivers from compliance with announcement and/or independent shareholders' approval requirements" below.

#### Supply of sorbitol

##### *Nature of the transactions and historical figures*

The GBT Group has been sourcing sorbitol from CDNP as one of the principal production materials for production of its polyol products since 2005. During the three years ended 31 December 2006 and the three months ended 31 March 2007, sales of sorbitol by CDNP to the GBT Group amounted to nil, about HK\$5.7 million, HK\$5.7 million and HK\$2.5 million respectively.

##### *Principal terms of the transactions*

During the Track Record Period, the selling price of sorbitol had been agreed between CDNP and the GBT Group on arm's length basis and at the then prevailing market rates of sorbitol.

Pursuant to the Sorbitol Master Purchase Agreement dated 7 May 2007 and entered into between CDNP as supplier and the GBT Group as purchaser, the GBT Group agreed to purchase sorbitol from CDNP solely for its own production use at prices to be determined from time to time by the relevant member of the GBT Group and CDNP on arm's length basis and with reference to the prevailing market rates of sorbitol and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and comparable to

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## CONTINUING CONNECTED TRANSACTIONS

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the terms of sales of sorbitol by CDNP to Independent Third Parties. The payment terms for the products will be set out in the purchase order for each order to be placed under the Sorbitol Master Purchase Agreement, provided that the purchase price shall be payable by the GBT Group within 60 days after the date of the relevant invoice issued by CDNP, or such longer period as the parties may agree. The Sorbitol Master Purchase Agreement has a term expiring on 31 December 2009 unless terminated earlier by three months' written notice by either party.

*Annual monetary caps for the three years ending 31 December 2009*

It is expected that the aggregate selling price receivable by CDNP from the GBT Group under the Sorbitol Master Purchase Agreement for each of the three years ending 31 December 2009 will exceed 0.1% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but will not exceed the annual monetary caps of HK\$14.0 million, HK\$31.4 million and HK\$35.1 million, respectively, representing about 1.0%, 1.9% and 1.6% of the projected sales of the Group for the respective year estimated on the basis of the best information available to the Directors as at the Latest Practicable Date.

The above annual monetary caps were determined by the Directors by reference to the aggregate selling price receivable for the sales of sorbitol by CDNP during the year ended 31 December 2006, the price of sorbitol to be increasing in the future at a similar pace as the price trend of sorbitol in the PRC in the past three years at about 10% per annum, the expected commencement of full production by the GBT Group's 10,000-tonne polyol plant in Changchun in the second half of 2007 and the corresponding requirements by, and expected increase in demand of, sorbitol by the GBT Group from CDNP from about 2,400 tonnes of sorbitol during the year ended 31 December 2006 to 5,000 tonnes of sorbitol for the year ending 31 December 2007 and 10,000 tonnes of sorbitol for each of the two years ending 31 December 2009 as indicated by the GBT Group. Taken into account the price trend of sorbitol in the PRC for the past three years with an annual growth of more than about 10%, the economic growth of the PRC and the increasing trend of demand for sorbitol in the PRC and/or globally, the Directors anticipate that the market price of sorbitol, with reference to which the selling price of sorbitol shall be determined, will increase gradually and in line with such price trend during the period.

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**CONTINUING CONNECTED TRANSACTIONS**

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**Sourcing of utility services**

*Nature of the transactions and historical figures*

During the Track Record Period, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Global Sweeteners Group's production plants at Changchun (including such period before the acquisition of Changchun Dihao). During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, the respective amounts payable by the Group and CDNP in respect of the provisions of these utility services by the GBT Group were as follows:

	<b>Aggregate amount payable in respect of the provisions of each utility service during the</b>			<b>three months ended</b>
	<b>year ended 31 December</b>			<b>31 March</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<i>(HK\$ million)</i>			
<b>The Group</b>				
<b>Utility services</b>				
Water	4.1	3.9	2.5	0.5
Electricity	3.2	6.7	8.6	2.9
Steam	10.9	27.8	37.5	11.1
Wastewater treatment	3.9	5.6	4.6	1.0
<b>CDNP</b>				
<b>Utility services</b>				
Water	—	0.5	0.9	0.1
Electricity	—	1.0	2.9	0.7
Steam	—	0.5	2.0	0.6
Wastewater treatment	—	—	0.1	—

*Principal terms of the transactions*

During the Track Record Period, these utility services have been charged by the GBT Group on arm's length basis. These utility services have not been charged at market rates; they have been charged with reference to the actual cost incurred by the GBT Group for the provision of such services, which is on normal commercial terms and on price not higher than that sourced by the Global Sweeteners Group from Independent Third Parties. The GBT Group have been acting as the administrator in dealing with local electricity and water suppliers for supply of electricity and water for Global Sweeteners Group's production plants in Changchun. As such, the GBT Group provides invoicing statements from its electricity and water suppliers in respect of inter alia, the cost for generating electricity and steam and sourcing of underground water, and provides other internal documents evidencing the actual costs incurred by the GBT Group in respect of the provisions of these utility services, the wastewater treatment services and the maintenance cost attributable to the electricity lines, electricity transmission system, pipelines, coal-fired boilers and/or meter(s) to the Group to ensure that such costs charged on the Group and CDNP are with reference to the actual cost incurred. Further, there are meters between the relevant production plants of the GBT Group in

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## CONTINUING CONNECTED TRANSACTIONS

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Changchun and each of the Group's and CDNP's plants in Changchun measuring the amount of electricity, water and steam consumed and the amount of wastewater delivered to the GBT Group for treatment.

Pursuant to the two Utilities Master Supply Agreements dated 3 September 2007 and entered into between the GBT Group as supplier and each of the Group and CDNP as purchaser, the GBT Group agreed to procure the supplies of electricity, water and steam and the provision of wastewater treatment services to the Group and CDNP on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. The fees payable by the Group and CDNP shall be settled on a monthly basis and shall be payable by the Group and CDNP within 90 days after the date of the relevant invoice issued by the GBT Group. Each Utilities Master Supply Agreement has an initial term expiring on 31 December 2009, with an option by the Group and CDNP, but not the GBT Group, to renew the term for three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter (subject however to the compliance by the Company and GBT of the applicable Listing Rules), unless terminated earlier by three months' written notice by the Group or, as the case may be, CDNP.

Under the Utilities Master Supply Agreements, the GBT Group will ensure that the wastewater treatment facilities and the wastewater and other waste discharged by its wastewater treatment facilities in Changchun will comply with all applicable national and provincial environmental protection laws and regulations, and that it shall have obtained all necessary licences, approvals, permits and authorisation required for providing its services under the Utilities Master Supply Agreements. Representatives of the Group and CDNP will be allowed sufficient access to the wastewater treatment facilities of the GBT Group to ensure compliance of the applicable national and provincial environmental protection laws and regulations and the GBT Group will provide relevant documents to the representatives of the Group and CDNP in accordance with their request. The GBT Group shall indemnify and hold the Group and CDNP fully indemnified against any claims, damages, losses, costs and expenses arising out of or in connection with any breach of obligations in the course of providing its services under the Utilities Master Supply Agreements, including any failure to comply with the applicable national and provincial environmental protection laws and regulations in respect of the discharge of wastewater and other waste by its wastewater treatment facilities, or any failure or disruption in providing its services to the Group and CDNP other than as a result of any force majeure events such as war, calamity or any other events which are beyond the control of the GBT Group.

### *Annual monetary caps for the three years ending 31 December 2009*

It is expected that the aggregate fees payable by each of the Group and CDNP to the GBT Group under the Utilities Master Supply Agreements for each of the three years ending 31 December 2009 for all these utility services will exceed 2.5% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but the aggregate fees payable by the Group and CDNP for such utility services will not exceed the annual monetary caps of HK\$81.9 million, HK\$81.9 million and HK\$111.2 million respectively for the Group, representing about 7.5%, 6.7% and 7.0% of the projected total cost of sales of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date, and the aggregate fees payable by CDNP for such utility services will not exceed the annual monetary caps of about HK\$9.6 million, HK\$9.6 million and HK\$9.6 million respectively for CDNP, representing about 0.9%, 0.8% and 0.6% of the projected total cost of sales of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date.

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## CONTINUING CONNECTED TRANSACTIONS

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The above annual monetary caps were determined by the Directors by reference to the aggregate fees payable for the relevant utility services during each of the three years ended 31 December 2006, the increase in the production capacity of the Group after the commencement of commercial operations of Dihao Crystal and the implementation of the Group's future plans for the expansion of its existing production facilities and the construction of new production facilities in Changchun, which is expected to result in the increase in the annual designed production capacity of the Group's and CDNP's production facilities in Changchun from 780,000 tonnes of corn sweeteners as at the Latest Practicable Date to 1,080,000 tonnes of corn sweeteners by end of 2008 and up to 1,480,000 tonnes of corn sweeteners by end of 2009 (details of the Global Sweeteners Group's expansion plan in Changchun are set out in the paragraph "Expansion of production capacity" in the section headed "Future Plans and Use of Proceeds" in this prospectus), the growth of the Group's and CDNP's business in Changchun in line with such expansion and the corresponding increase in demand in supplies of up to about 1,240,000 tonnes of water, about 41,250,000 watts of electricity, about 1,130,000 tonnes of steam, and treatment of wastewater for the volume up to about 1,650,000 tonnes, towards the end of 2009.

### **Purchase of corn starch**

#### *Nature of the transactions and historical figures*

The Group has been sourcing corn starch, either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, purchase of corn starch from the GBT Group by the Group (excluding Global Bio-chem-Cargill and GCHF) amounted to about HK\$206.3 million, HK\$517.0 million, HK\$723.8 million and HK\$209.9 million (in terms of quantity, about 162,000 tonnes, 420,000 tonnes, 499,000 tonnes, and 130,000 tonnes) respectively. Purchases of corn starch by Global Bio-chem-Cargill and/or GCHF from the GBT Group will not constitute connected transactions of the Company as they are not regarded as subsidiaries of the Company under the Listing Rules.

#### *Principal terms of the transactions*

During the Track Record Period, the selling price of corn starch has been agreed between the GBT Group and the Group on arm's length basis and with reference to the terms offered by the GBT Group to Independent Third Parties and at the prevailing market rates of corn starch powder and, in respect of corn starch purchased by the Group's production facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, with adjustments made with reference to the dehumidifying, packaging, transportation, storage costs and other related costs such as insurance and utility cost. For indicative purposes only, based on the average related cost savings to the Group's production facilities in Changchun, comprising dehumidifying, packaging, transportation, storage and other related costs which are generally borne for purchasers as normal commercial practices, of about RMB360 per tonne during the three months ended March 2007 and the amount of corn starch slurry sourced by Changchun Dihao from the GBT Group for the three years ended 31 December 2006 and the three months ended 31 March 2007 of about 83,000 tonnes, 343,000 tonnes, 393,000 tonnes and 103,000 tonnes (total amount of corn starch sourced by the Group from the GBT Group amounted to about 162,000 tonnes, 420,000 tonnes, 499,000 tonnes and 130,000 tonnes), total purchase costs saved by Changchun Dihao were about HK\$29.9 million, HK\$123.5 million, HK\$141.5 million and HK\$37.1 million for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively.

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## CONTINUING CONNECTED TRANSACTIONS

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Pursuant to the Corn Starch Master Purchase Agreement dated 3 September 2007 and entered into between the GBT Group as supplier and the Group as purchaser, the Group agreed to purchase corn starch, either in the form of starch powder or starch slurry, from the GBT Group at prices to be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder and on such other standard terms of sale and purchase from time to time, provided that, in respect of corn starch purchased by the Group's production facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, adjustments will be made to the purchase price with reference to the dehumidifying, packaging, transportation, storage and other related costs which should be borne by the Group but for such arrangement. Where the Group's production facilities in Changchun obtains supply of corn starch from the production plants of the GBT Group in Changchun, the GBT Group will procure the delivery of corn starch to the Group's Changchun production plants by way of starch pipeline. There are meters between the Group's and the GBT Group's production plants in Changchun measuring the amount of corn starch consumed. If it is not to be delivered in the above manner and if so required under the relevant purchase orders, the purchase price shall also be inclusive of the GBT Group's estimated costs for the transportation and packaging of, and insurance covering the risk of loss or damage of, the corn starch ordered by the Group. The payment terms for the products will be set out in the purchase order for each order to be placed under the Corn Starch Master Purchase Agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. The Corn Starch Master Purchase Agreement has a term expiring on 31 December 2009 unless terminated earlier by three months' written notice by either party.

### *Annual monetary caps for the three years ending 31 December 2009*

It is expected that all of the corn starch slurry required by the Group's existing production facilities in Changchun and about 76.9%, nil and nil of the corn starch powder required by the Group's and GCHF's existing and future production facilities for the production by the Global Sweeteners Group will be sourced from the GBT Group for each of the three years ending 31 December 2009 respectively and the aggregate purchase price payable by the Group to the GBT Group under the Corn Starch Master Purchase Agreement will exceed 2.5% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but will not exceed the annual monetary caps of HK\$891.4 million, HK\$755.2 million and HK\$830.8 million, respectively, representing about 81.3%, 61.4% and 52.6% of the projected total cost of sales (or, about 97.4%, 83.0% and 77.6% of the projected total amount of purchase of corn starch) of the Group for the respective year estimated on the basis of the best information available to the Directors as at the Latest Practicable Date.

The above annual monetary caps were determined by the Directors by reference to the aggregate purchase price payable for the purchase of corn starch by the Group during the Track Record Period, the price of corn starch to be increasing in the future at a similar pace as for the three years ended 31 December 2006 in northeast China at about 10% per annum and the amount of corn starch to be consumed from the GBT Group to remain stable for the three years ending 31 December 2009. Taken into account the price trend of corn starch, the economic growth of the PRC and the increasing trend of demand for corn starch in the PRC and/or globally, the Directors anticipate that the market price of corn starch, with reference to which the purchase price of corn starch shall be determined, will increase gradually and in line with such price trend during the period.

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## CONTINUING CONNECTED TRANSACTIONS

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### Supply of corn sweeteners

#### *Nature of the transactions and historical figures*

The GBT Group has been sourcing corn sweeteners from the Group as one of the principal production materials for production of its amino acid and polyol products. During each of the three years ended 31 December 2006 and the three months ended 31 March 2007, sales of corn sweeteners by the Group to the GBT Group amounted to about HK\$6.1 million, HK\$375.2 million, HK\$456.8 million and HK\$137.7 million respectively.

#### *Principal terms of the transactions*

During the Track Record Period, the selling price of corn sweeteners has been agreed between the Group and the GBT Group on arm's length basis and at market price.

Pursuant to the Corn Sweeteners Master Sales Agreement dated 3 September 2007 and entered into between the Group as supplier and the GBT Group as purchaser, the GBT Group agreed to purchase corn sweeteners from the Group solely for its own production use at prices to be from time to time determined by the relevant member of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to Independent Third Parties. The payment terms for the products will be set out in the purchase order for each order to be placed under the Corn Sweeteners Master Supply Agreement, provided that the purchase price shall be payable by the relevant member of the GBT Group within 60 days after the date of the relevant invoice issued by the Group. The Corn Sweeteners Master Sales Agreement has a term of three years expiring on 31 December 2009 unless terminated earlier by three months' written notice by either party.

#### *Annual monetary caps for the three years ending 31 December 2009*

It is expected that the aggregate selling price receivable by the Group from the GBT Group under the Corn Sweeteners Master Sales Agreements for each of the three years ending 31 December 2009 will exceed 2.5% of each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Listing Rules but will not exceed the annual monetary caps of HK\$324.0 million, HK\$449.3 million and HK\$700.9 million, respectively, representing about 20.0%, 20.0% and 19.7% of the projected sales of the Group for the respective year estimated based on the best information available to the Directors as at the Latest Practicable Date.

The above annual monetary caps were determined by the Directors by reference to the aggregate fees payable for the purchase of glucose and other corn sweeteners by the GBT Group during each of the three years ended 31 December 2006, the estimated amount of purchase of about 100,000 tonnes of glucose syrup by the GBT Group prior to the Listing, the commencement of trial production by the GBT Group's 200,000 tonnes polyol plant in Changchun in the third quarter of 2007 and the expected commencement of full operation in the fourth quarter of 2007, the corresponding requirements by and the expected demand of, 150,000 tonnes, 120,000 tonnes and 156,000 tonnes, respectively, of crystallised glucose and other corn sweeteners by the GBT Group from the Group for its production of polyol products during each of the three years ending 31 December 2009 as indicated by the GBT Group.

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## CONTINUING CONNECTED TRANSACTIONS

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### WAIVERS FROM COMPLIANCE WITH ANNOUNCEMENT AND/OR INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Based on the respective annual monetary caps for the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement as mentioned above, it is expected that (i) each of the percentage ratios (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, in respect of the transactions under the Sorbitol Master Purchase Agreement will exceed the threshold under Rule 14A.33(3) of the Listing Rules, and therefore these transactions are subject to the announcement requirements set out under Rule 14A.47 of the Listing Rules; and (ii) each of the percentage ratios (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, in respect of the transactions under the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement will exceed the threshold under Rule 14A.34 of the Listing Rules, and therefore these transactions are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rule 14A.45 to 14A.48 of the Listing Rules. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement from compliance with the announcement and/or the independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Listing Rules.

#### **Application for waivers**

##### *(a) Reasons for the application*

Given that the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement will be carried out following the Listing on a recurring basis, and these agreements were entered into in the ordinary and usual course of business and on normal commercial terms, as the case may be, from the perspective of the Group, and that the respective terms of the transactions and the annual monetary caps as mentioned above are fair and reasonable and in the interests of the Shareholders as a whole, the Company applied to the Stock Exchange for, and was granted waivers from strict compliance with the relevant announcement and/or independent shareholders' approval requirements in respect of these transactions for the three years ending 31 December 2009 on the conditions set out below.

##### *(b) Compliance with application rules set out in Chapter 14A of the Listing Rules*

The Company will comply with Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40 and 14A.45 to 14A.46 of the Listing Rules in relation to the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement.

Upon expiry of the waivers granted for the period ending 31 December 2009, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.



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## CONTINUING CONNECTED TRANSACTIONS

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In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

(c) *Confirmation from the Directors*

The Directors, including the independent non-executive Directors, confirm that all of the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement were entered into on normal commercial terms, in the ordinary and usual course of business and are fair and reasonable to the Group on the basis that the terms of the relevant agreements are no less favourable to the Group than terms offered by Independent Third Parties, and therefore are in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, are of the view that the respective annual monetary caps of the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreement, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(d) *Confirmation from the Sponsor*

The Sponsor is of the view that the transactions under the Sorbitol Master Purchase Agreement, the Utilities Master Supply Agreements, the Corn Starch Master Purchase Agreement and the Corn Sweeteners Master Sales Agreement are in the ordinary and usual course of business and on normal commercial terms and that the terms of the abovementioned continuing connected transactions and their respective annual monetary caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### DIRECTORS

#### Executive Directors

Mr. Kong Zhanpeng, aged 43, is the executive Director and Chairman of the Company and is responsible for the Group's overall business development and corporate management. He graduated from the China Textile University with a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University. Mr. Kong has over 12 years of experience in investments and corn-refined/corn-based manufacturing industry and over six years of experience in corn sweetener industry through the various functions and corporate investment projects he was involved in with GBT Group since its establishment. Before joining the GBT Group in 1994, Mr. Kong served as a director of 錦華實業(香港)有限公司 (Canwa Industrial (H.K.) Company Limited), a company principally engaged in the textile manufacturing and trading industry. He joined the GBT Group in 1994 as a director of a subsidiary of GBT and was appointed as a director of GBT in May 2000. Mr. Kong is an executive director of GBT but will resign from his directorship before the Listing. He is beneficially interested in more than 5% interest in the share capital of GBT. He has been with the Global Sweeteners Group since November 1998 and is also a director of Global Sweeteners, GS (China), Haocheng, Datex, GCHF and Global-Nikken (Hong Kong). Save as aforementioned, Mr. Kong does not hold any other position with the Global Sweeteners Group.

Mr. Zhang Fusheng, aged 34, an executive Director, is responsible for the sales and marketing of the Global Sweeteners Group. Mr. Zhang graduated from 吉林大學商學院 (Commerce Department of Jilin University) in 2007, majoring in business administration. He was accredited as one of the 十大傑出(優秀)青年企業家 (Ten Outstanding Youth Entrepreneur) by Changchun City in 2004. He was appointed as the general manager and the sales and marketing department manager of Changchun Dihao in March 1999 and joined the Global Sweeteners Group in October 2004 after the Global Sweeteners Group acquired 75% of Changchun Dihao. He has been the sales manager of Dihao Crystal since its establishment in May 2006. Mr. Zhang is also a director of Changchun Dihao and Dihao Crystal. Mr. Zhang has over 10 years of experience in production, sales and marketing and accumulated over eight years of experience in the sweetener industry since he joined Changchun Dihao. Mr. Zhang is the son of Mr. Zhang Fazheng, one of the senior management of the Group.

Ms. Wang Guifeng, aged 57, an executive Director, is responsible for overseeing the finance and accounting functions of the Global Sweeteners Group's business in the PRC. Ms. Wang graduated from 長春職業業餘大學 (Changchun Vocational University) in 1983, majoring in industrial accountancy. She is a member of the Chinese Institute of Certified Public Accountants with over 18 years of experience in accounting and financial resources management. She joined Changchun Dihao as an accountant in the accounts department in June 2006.

Ms. Ge Yanping, aged 38, an executive Director, is responsible for the daily production and quality control management of the production plants of the Global Sweeteners Group in Shanghai. Ms. Ge graduated from 吉林省通化師範學院 (Teachers' College to Jilin Normal University) in 2005, majoring in Chinese literature. She joined Hao Cheng in October 1999 as the supervisor of the quality control department. In April 2002, she was appointed as the production manager of Hao Cheng. Ms. Ge has over 8 years of experience in the production and quality control of chemical products.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Independent non-executive Directors

Ms. Fung Siu Wan Stella, aged 52, is a managing director of Fook Ming Tong Chinese Medical Center. Ms. Fung has extensive experience in the fields of both commercial and investment banking for over 20 years. Ms. Fung obtained a post-diploma qualification in International Business Management in Seneca College, Toronto in 1991, and became a member of the Hong Kong Securities Institute in 1998. She was a former regional manager of Overseas Trust Bank Limited and a former executive director and general manager of Dao Heng Securities Limited and former executive director and general manager of Dao Heng Commodities Limited. She is also an independent non-executive director of Yardway Group Limited and Neo-Neon Holdings Limited, companies whose securities are listed on the Main Board of the Stock Exchange. Ms. Fung was appointed as an independent non-executive Director in August 2007.

Mr. Yan Man Sing Frankie, aged 49, is an independent non-executive Director. Mr. Yan obtained a professional diploma in accountancy from the Hong Kong Polytechnic University (then known as Hong Kong Polytechnic) in 1983 and has over 10 years of experience in financial management and corporate governance. He has been a member of the Hong Kong Institute of Certified Public Accountants since 1986 and a fellow of The Association of Chartered Certified Accountants since 1991. Mr. Yan worked at the listing division of the Stock Exchange during 1997 to 2000. He joined Dao Heng Securities Limited in 2000 as an associate director of the corporate finance department and was a director at Dao Heng Securities Limited from 2004 to 2005. During his employment at Dao Heng Securities Limited, Mr. Yan provided corporate finance, compliance and corporate governance advisory services to clients. He is the chief operation officer of Honesty Treasure International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange. Mr. Yan is appointed as an independent non-executive Director in August 2007.

Mr. Ho Lic Ki, aged 59, is an independent non-executive Director. Mr. Ho completed the Chinese Senior Bankers Program offered by the University of Washington, Seattle, the US in cooperation with the Bank of China (Hong Kong) in 1991. The Chinese Senior Bankers Program was developed by the Council on International Educational Exchange, an organization in the United States composed mainly of US institutions of higher education, on behalf of the Bank of China. It was a five-week custom-designed seminar on the US banking system at the University of Washington for bankers from China, Hong Kong and Macao. After that Mr. Ho obtained a Foundation Diploma in Management from the University of Hong Kong in 1994 and attended a short course from 中國人民大學 (Renmin University of China) in 1997. From 1965 to 2001, he worked at the Hong Kong branch of the Kwangtung Provincial Bank where his last designation was branch deputy general manager. Mr. Ho retired as the deputy general manager of the special assets management department of the Bank of China (Hong Kong) Limited. He has about 40 years of experience in banking, finance and asset management. Mr. Ho was appointed as an independent non-executive Director in August 2007.

Mr. Gao Yunchun, aged 43, is an independent non-executive Director. Mr. Gao graduated from 天津大學 (Tianjin University) with a bachelor degree in chemical engineering in 1987 and has about 10 years of experience in the field of chemical engineering and corn-refinery industry. Since 1989, Mr. Gao has been working for 吉林省石油化工設計研究院 (Jilin Petrochemical Design and Research Institute), a research institute in the Jilin Province which researches into various fields such as petrochemical, chemicals, pharmaceuticals and corn manufacturing, and is now the vice president of the Institute. Mr. Gao has extensive knowledge and experience in corn-refined/corn-based manufacturing which is of relevance to the Group's business. Mr. Gao is appointed as an independent non-executive Director in August 2007.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### SENIOR MANAGEMENT

Mr. Zhang Fazheng, aged 57, is responsible for managing the daily operation of the Global Sweeteners Group's production plants located at Shanghai. Mr. Zhang joined the GBT Group as general manager of Hao Cheng since its establishment in 1998, and has been the general manager of GCHF since 2001. He has over 20 years of experience in the management of production plant. He graduated from 吉林省財貿學院 (Jilin Finance and Trade College) in 1992, majoring in corporate accounting. Mr. Zhang is the father of Mr. Zhang Fusheng, one of the executive Directors.

Mr. Bai Qiuling, aged 40, is responsible for the general operation of CDNP. Mr. Bai graduated from 吉林省自學考試指導委員會 (Jilin Provincial Self-study Examination Committee) in 1994, majoring in organic chemical engineering. He joined the GBT Group in February 2000 as a production manager of Changchun Dahe Biotechnology Development Co., Ltd., a subsidiary of GBT, and was appointed in October 2006 to act as the general manager of CDNP. Mr. Bai has over 11 years of experience in corn-based fermentation and production.

Ms. Li Xiaoming, aged 50, is responsible for managing the daily operations of Changchun Dihao and Dihao Crystal. Ms. Li graduated from 東北工學院 (Northeast School of Engineering) in 1980, majoring in metallic material. She joined the GBT Group in January 1999 as production manager and has been appointed as the general manager of Dihao Crystal since its establishment in May 2006. Ms. Li was appointed to the board of directors and as Chairman of Dihao Crystal in August 2007. She has over eight years of experience in production.

Mr. Lee Chi Yung, aged 33, is the financial controller, qualified accountant and company secretary of the Company. He graduated from the City University of Hong Kong with a bachelor degree (with honours) in accountancy in 1996. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the GBT Group in September 2000 as a finance manager and was appointed as the qualified accountant and company secretary in August 2007. He has over seven years of experience in accounting and finance. Mr. Lee has accumulated his experience in the corn-refined/corn-based manufacturing industry during his tenure with the GBT Group.

### BOARD COMMITTEES

#### Audit committee

The Company established an audit committee on 3 September 2007 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee comprises Mr. Yan Man Sing Frankie, Ms. Fung Siu Wan Stella, Mr. Ho Lic Ki and Mr. Gao Yunchun. Mr. Yan Man Sing Frankie is the chairman of the audit committee.

#### Remuneration committee

The Company established a remuneration committee on 3 September 2007 with written terms of reference in compliance with the code provisions of the Code of Corporate Governance Practices set out in appendix 14 of the Listing Rules. The functions of this committee include the formulation and the recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management of the Group, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors, review and approval of performance-based remuneration, and review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of the Shareholders in general meeting pursuant to the Listing Rules.

The remuneration committee comprises Mr. Kong Zhanpeng, Mr. Yan Man Sing Frankie and Mr. Gao Yunchun.

### **CCT Supervisory Committee**

The Company established the CCT Supervisory Committee on 3 September 2007 with written terms of reference. The function of this committee is to supervise the CCT Executive Committee, being a disinterested management team of the Company which has delegated responsibilities of monitoring, review and management of the continuing connected transactions between the Global Sweeteners Group and the GBT Group, with a view to ensure that these transactions will be entered into in the interests of the Company and the Shareholders as a whole. The main responsibilities of the CCT Supervisory Committee are summarised under the paragraph headed "Relationship with the GBT Group" under the section headed "Relationship with the GBT Group" in this prospectus.

The CCT Supervisory Committee comprises Mr. Yan Man Sing Frankie, Ms. Fung Siu Wan Stella, Mr. Ho Lic Ki and Mr. Gao Yunchun.

### **Compensations of the Directors and senior management**

All of the Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred by them for providing services to the Company or in the execution of their duties. Executive Directors, who are also employees of the Company, receive compensation in the form of a salary, housing allowance, other allowances and benefits in kind in his capacity as an employee of the Company.

Save as disclosed in this prospectus, none of the Directors has in the past three years received any salaries, housing allowances, pension scheme contributions, other allowances or benefits in kind from the Company.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Compliance advisor

The Company expects to appoint Goldbond Capital as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of the Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an enquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### STAFF

The following table depicts the Global Sweeteners Group's staff (full time and temporary) by function as at 31 December 2004, 2005 and 2006, 31 March 2007 and the Latest Practicable Date:

	2004		As at 31 December 2005		2006		As at 31 March 2007		As at the Latest Practicable Date	
	Fulltime	Temporary	Fulltime	Temporary	Fulltime	Temporary	Fulltime	Temporary	Fulltime	Temporary
General management	26	—	27	—	28	—	27	—	23	—
Production	163	304	361	257	448	253	418	—	384	—
Sales and sales-related functions	36	7	66	—	63	—	63	—	64	—
Quality control and procurement	26	1	44	—	59	—	58	—	50	—
Accounting and finance	8	—	15	—	18	—	18	—	18	—
Administration	21	1	31	6	45	19	42	—	39	—
<b>Total</b>	<b>280</b>	<b>313</b>	<b>544</b>	<b>263</b>	<b>661</b>	<b>272</b>	<b>626</b>	<b>—</b>	<b>578</b>	<b>—</b>

### The Global Sweeteners Group's relationship with its staff

The Global Sweeteners Group provides training to its production staff prior to the commencement of work at the production plant in order to ensure safety and production efficiency. In addition, training sessions are organised, on a regular basis, to enhance their knowledge and skill set. As at the Latest Practicable Date, the Global Sweeteners Group had not experienced any significant turnover of staff nor any disruption to its business operations due to labour disputes.

**Share Option Scheme**

The Company has conditionally adopted the Share Option Scheme, under which, among others, certain directors and employees of the Global Sweeteners Group may be granted options to subscribe for Shares (initially not exceeding 10% of the number of Shares in issue as at the Listing Date). The principal terms of the Share Option Scheme are summarised in the sub-paragraph headed “Share Option Scheme” in the paragraph headed “Other Information” in appendix V to this prospectus.

**Benefits***MPF Schemes*

The Global Sweeteners Group operates a MPF Scheme for all its employees in Hong Kong. The MPF Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Global Sweeteners Group in an independently administered fund.

*Employee social insurance contribution*

Under the PRC laws and regulation, the Global Sweeteners Group must make mandatory contributions to a number of social insurance schemes for employees employed in the PRC and eligible for such contributions. There are currently six social insurance schemes, namely pension, unemployment insurance, medical insurance, work injury insurance, maternity insurance and housing funds in force in areas where the Global Sweeteners Group operated.

During the Track Record Period, the Global Sweeteners Group has employed a number of temporary workers to work at the plants in the PRC. As such workers have a relatively high mobility, the Global Sweeteners Group has experienced a high turnover rate in relation to such workers and have inadvertently failed to keep track of the employee social insurance contribution payments for such workers. This was the primary cause for the non-compliance of the Global Sweeteners Group with its obligations to make contributions to the relevant social insurance bureau for all of the relevant employees. The underpayment of these contributions amounted to about RMB1.7 million, RMB1.5 million, RMB1.7 million and RMB0.3 million (equivalent to about HK\$1.7 million, HK\$1.5 million, HK\$1.7 million and HK\$0.3 million) for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. As at 31 March 2007, total provision of about RMB5.2 million (equivalent to about HK\$5.2 million) has been made by the Group for such underpayment. The Company is advised by its legal advisors on PRC laws that the subsidiaries of the Global Sweeteners Group which have failed to make all the social insurance contributions for their eligible employees may be ordered by the relevant social insurance bureaus to pay the outstanding amount within a stipulated time limit. If payment is made within such period, no late fee or penalty will be imposed. However, a late payment fine calculated at 0.2% per day on the outstanding payment calculated from the date of the end of the stipulated time limit may be imposed if payment is not made within the stipulated time limit. The relevant social insurance bureau has confirmed the above amount of underpayment and has agreed that the Global Sweeteners Group shall settle these outstanding underpayments by instalments and in accordance with the schedule to be agreed. As at the Latest Practicable Date, the Global Sweeteners Group has contacted the relevant social insurance bureau in relation to the settlement schedule of the abovementioned omitted contributions and was awaiting confirmation from such bureau for the repayment schedule. The Global Sweeteners Group intends to settle these outstanding social insurance contributions as soon as confirmation has been sought from the relevant social insurance bureau.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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In the future, additional administrative efforts will be placed by the Global Sweeteners Group to ensure the group companies and their employees have taken all necessary measures to make the required social insurance contributions in time as required under the relevant rules and regulations, including but not limited to regular visits to relevant social insurance bureaus to discuss on the contributions made by the Group. In addition, each of Changchun Dihao, Dihao Crystal and CDNP has appointed an Independent Third Party to provide temporary human resources support and the service provider is responsible for, among others, handling its and their employees social insurance contributions from time to time.

GBT and Global Corn Bio-chem, being the Controlling Shareholders, have provided an indemnity in favour of the Global Sweeteners Group in respect of any claims, damages, losses, costs, expenses, actions and proceedings (if any) arising from the non-compliance of the laws and regulations in relation to social insurance on or before the Listing Date on terms as set out in a deed of indemnity dated 7 September 2007 referred to in the paragraph headed “Estate duty, tax and other indemnities” of appendix V to this prospectus.



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## SHARE CAPITAL

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<i>Authorised capital:</i>		<i>HK\$</i>
<u>100,000,000,000</u> Shares		<u>10,000,000,000</u>
Shares issued and to be issued, fully-paid or credited as fully-paid:		
2,000,000 Shares in issue		200,000
698,000,000 Shares to be issued pursuant to the Capitalisation Issue		69,800,000
<u>300,000,000</u> Shares to be issued pursuant to the Share Offer		<u>30,000,000</u>
Total:		
<u>1,000,000,000</u> Shares		<u>100,000,000</u>

### Assumption

The above table assumes that the Share Offer becomes unconditional.

It does not take into account any Shares which may be allotted and issued pursuant to the Over-allotment Option or the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares as referred below.

### Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalisation Issue.

### Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on 3 September 2007. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisors and consultants to the Company or its subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the sub-paragraph headed "Share Option Scheme" under the paragraph headed "Other Information" in appendix V to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Share Offer and the Capitalisation Issue; and

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## SHARE CAPITAL

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- (b) the aggregate nominal value of share capital of the Company repurchased by the Company, if any, under the general mandate to repurchase Shares referred to below. The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement, or of options which may be granted under the Share Option Scheme do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which the Directors are authorised allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at the earliest of:

- the conclusion of the Company's next annual general meeting; or
- the expiration of the period within which the Company is required by law or its articles of association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" under paragraph headed "Further information about the Company" in appendix V to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue following the completion of the Share Offer (excluding Shares which may to be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Repurchase by the Company of its own securities" in appendix V to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of the Company's next annual general meeting; or
- the expiration of the period within which the Company is required by law or its articles of association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" under paragraph headed "Further Information about the Company" in appendix V to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, each of the following persons will be, directly or indirectly, interested in 10% or more of the rights to vote at any general meeting of the Company:

Name	Capacity/nature of interest	Total number of shares ( <i>Note 1</i> )	Approximate percentage of interest
Global Corn Bio-chem	Beneficial owner	700,000,000 Shares (L)	70%
GBT	Interest of a controlled corporation ( <i>Note 2</i> )	700,000,000 Shares (L)	70%

*Notes:*

1. The letter “L” denotes the person’s long position in the Share capital of the Company.
2. These Shares will be registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. GBT is deemed to be interested in all the Shares in which Global Corn Bio-chem is interested by virtue of the SFO.

Further details of interests and short positions (if any) of the above persons in the Shares are set out in the section headed “Further information about directors, management and staff” in appendix V to this prospectus.

Save as disclosed herein, the Directors are not aware of any person (who are not Directors) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, be directly or indirectly interested in 10% or more of the Company’s registered capital. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

## FINANCIAL INFORMATION

### SELECTED FINANCIAL INFORMATION

The following tables set out selected financial information of the Group for the periods indicated. The selected audited consolidated income statements of the Group for the three years ended 31 December 2006 and the three months ended 31 March 2007, have been derived from the accountants' report of the Company included in appendix I to this prospectus. Investors should read the whole of the accountants' report of the Company set out in appendix I to this prospectus and not rely merely on the information contained in this section.

#### Basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law on 13 June 2006 as a limited liability company. The financial information selected herein, which is extracted from the accountants' report of the Company, has been prepared on the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, as if the Reorganisation had been completed as at the beginning of the relevant periods because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and all companies now comprising the Group are ultimately controlled by GBT, the ultimate holding company of the Company and all companies now comprising the Group, before and after the Reorganisation, except Changchun Dihao, which was acquired during the relevant periods and accounted for using the purchase method of accounting.

The following table sets forth certain financial data of the Group's consolidated financial information for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 which are extracted from the accountants' report of the Group, as set out in appendix I to this prospectus.

#### *Income statement*

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March 2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
REVENUE	265,016	824,972	1,144,141	212,035	336,350
Cost of sales	<u>(210,089)</u>	<u>(645,037)</u>	<u>(892,564)</u>	<u>(171,663)</u>	<u>(280,548)</u>
Gross profit	54,927	179,935	251,577	40,372	55,802
Other income	2,345	2,178	5,588	923	2,764
Selling and distribution costs	(20,403)	(50,092)	(48,251)	(8,441)	(11,143)
Administrative expenses	(6,668)	(10,659)	(15,039)	(2,660)	(4,248)
Other expenses	(2,952)	(8,510)	(3,760)	(725)	(19)
Finance costs	<u>(892)</u>	<u>(5,688)</u>	<u>(13,426)</u>	<u>(2,830)</u>	<u>(3,412)</u>
PROFIT BEFORE TAX	26,357	107,164	176,689	26,639	39,744
Tax	<u>(3,146)</u>	<u>(11,498)</u>	<u>(19,956)</u>	<u>(2,976)</u>	<u>(5,117)</u>
PROFIT FOR THE YEAR/ PERIOD	<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>

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## FINANCIAL INFORMATION

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	Year ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Attributable to:					
Equity holders of the Company	18,455	80,663	156,733	23,663	34,627
Minority interests	<u>4,756</u>	<u>15,003</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
<b>EARNINGS PER SHARE</b>					
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>					
— basic ( <i>Note</i> )	<u>HK\$0.026</u>	<u>HK\$0.115</u>	<u>HK\$0.224</u>	<u>HK\$0.034</u>	<u>HK\$0.049</u>

*Note:* The calculation of basic earnings per Share for the Track Record Period is based on the profit attributable to ordinary equity holders of the Company for the Track Record Period and assuming that 700,000,000 Shares had been in issue and issuable, comprising Shares in issue as at the date of this prospectus, Shares to be issued pursuant to the Capitalisation Issue as more fully described in the paragraph headed “Resolutions in writing of the sole Shareholder passed on 3 September 2007” in appendix V to this prospectus throughout the Track Record Period.

### **Differences between the generally accepted accounting principles in the PRC and the HKFRSs**

The profits of the Group are mainly derived from its operating subsidiaries and the attributable results of the Jointly-controlled Entities established in the PRC. The profits available for distribution for companies established in the PRC are determined in accordance with the generally accepted accounting principles in the PRC, which may differ from the amount arrived at under HKFRSs. In the event that the amount of the profits determined under the generally accepted accounting principles in the PRC in a given year is less than that determined under the HKFRSs, the Company may not have funds for profit distribution to the Shareholders.

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## FINANCIAL INFORMATION

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### MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the consolidated financial information included in the accountants' report of the Company and the notes thereto set out in appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The financial information has been prepared in accordance with the HKFRSs.

The Group implemented a reorganisation for the purposes of the initial listing of its Shares on the Stock Exchange, the details of which are set forth in note 1 to the accountants' report on the Group set out in appendix I and the section headed "Group reorganisation" in appendix V to this prospectus.

#### Overview

During the Track Record Period, the business operations of the Group were carried out through three subsidiaries and two jointly controlled entities, held directly and/or indirectly by the Company, namely Hao Cheng, Changchun Dihao, Dihao Crystal, CDNP and GCHF. Dihao Crystal had commenced production of crystallised glucose in November 2006. The business operations of these subsidiaries and Jointly-controlled Entities and the respective dates on which they became members of the Global Sweeteners Group are as follows:

<b>Name</b>	<b>Principal business activities</b>	<b>Date of becoming Subsidiary/Jointly-controlled entity</b>
Hao Cheng <i>(Subsidiary)</i>	Manufacture and sale of glucose and maltose syrup	December 1998
Changchun Dihao <i>(Subsidiary)</i>	Manufacture and sale of glucose syrup, maltose syrup and maltodextrin	July 2004
Dihao Crystal <i>(Subsidiary)</i>	Manufacture and sale of crystallised glucose and other sweetener products	May 2006
CDNP <i>(Jointly-controlled entity)</i>	Manufacture and sale of sorbitol, crystallised glucose and other products	June 2004
GCHF <i>(Jointly-controlled entity)</i>	Manufacture and sale of HFCS products	November 2001

#### Factors affecting results of operations of the Group

The Group's results of operations and the period-to-period comparability of the Group's financial results are affected by a number of factors including, but not limited to, gross margins, growth strategy, product mix, type and rate of tax in the PRC as well as the source and cost of financing.

##### *Gross margins*

Gross margins earn on each product of the Global Sweeteners Group are affected by changes in their respective average selling price in the PRC and its related cost of sales including but not limited to the cost of production materials, and other consumables. Although selling prices of products of the Global Sweeteners Group generally move in tandem with cost of sales as both of

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## FINANCIAL INFORMATION

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them are highly sensitive to prices of corn kernels and corn starch, they are also affected by the prices of substitute products in the domestic market, demand and supply for each product and product specifications.

The following table sets out the unit average selling prices and gross margins of different products of the Global Sweeteners Group:

	Year ended 31 December						Three months ended 31 March			
	2004		2005		2006		2006		2007	
	Unit	Gross	Unit	Gross	Unit	Gross	Unit	Gross	Unit	Gross
	average	profit	average	profit	average	profit	average	profit	average	profit
	selling	margin	selling	margin	selling	margin	selling	margin	selling	margin
	price		price		price		price		price	
	(HK\$ per		(HK\$ per		(HK\$ per		(HK\$ per		(HK\$ per	
	tonne)	%	tonne)	%	tonne)	%	tonne)	%	tonne)	%
<b>Corn syrups</b>										
Glucose syrup	1,639	20.8	1,364	21.7	1,468	21.3	1,357	17.1	1,642	15.9
Maltose syrup	1,526	24.8	1,553	24.9	1,737	23.2	1,654	19.6	1,897	20.0
HFCS	1,645	13.3	1,793	24.3	2,378	34.2	2,178	34.0	2,314	21.0
<b>Corn syrup solids</b>										
Crystallised glucose										
(Note 1)	—	—	—	—	2,237	(8.0)	—	—	2,140	10.0
Maltodextrin	1,727	(4.5)	1,945	6.2	2,219	14.1	2,083	11.7	2,380	13.2
<b>Sugar alcohol</b>										
Sorbitol (Note 2)	1,847	5.1	2,625	0.7	2,368	17.1	2,047	11.5	2,617	(51.6)
Others	—	—	—	—	1,405	(15.5)	—	—	586	(402.1)

Notes:

1. Sales of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
2. The Global Sweeteners Group was engaged in the trading of sorbitol during the Track Record Period and sale of sorbitol produced by CDNP commenced in November 2005.

The average price of corn starch purchased by the Global Sweeteners Group increased from about HK\$1,290 per tonne during the year ended 31 December 2004 to about HK\$1,477 per tonne during the year ended 31 December 2006. For the three months ended 31 March 2007, the average purchase price of corn starch for the Global Sweeteners Group further increased to about HK\$1,674 per tonne.

Despite the increase in cost of sales of the Group of about 324.9% over the three years ended 31 December 2006, the Group was able to increase its overall gross margin as it achieved economies of scale and increased its sales of relatively higher gross profit margin products to the market. The Group's attributable portion of the gross profit of HFCS increased from about HK\$3.5 million for the year ended 31 December 2004 to about HK\$38.9 million for the year ended 31 December 2006, an increase of more than 10 times during the period. However, for the three months ended 31 March 2007, the attributable amount of the gross profit from HFCS decreased to about HK\$5.9 million from about HK\$7.2 million for the three months ended 31 March 2006, and its underlying gross profit margin decreased to about 21.0% from about 34.0% for the three months ended 31 March 2006, which was mainly due to the increase in the unit cost of production of HFCS which was only partly offset by the increase in the unit selling price for HFCS during the corresponding periods. On the other hand, gross profit of glucose syrup increased from about HK\$15.6 million for the year ended

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31 December 2004 to about HK\$136.3 million for the year ended 31 December 2006, an increase of about nine times during the Track Record Period. At the same time, its underlying gross profit margin slightly increased from about 20.8% for the year ended 31 December 2004 to about 21.3% for the year ended 31 December 2006. For the three months ended 31 March 2007, gross profit of glucose syrup increased to about HK\$30.2 million from about HK\$20.5 million for the three months ended 31 March 2006 with its gross profit margin decreased slightly from about 17.1% in the three months ended 31 March 2006 to about 15.9% in the three months ended 31 March 2007 for similar reason as the decrease in the gross profit margin of HFCS for the same period as mentioned above.

### *Expansion*

As part of the Global Sweeteners Group's strategy, it has acquired Changchun Dihao during the Track Record Period with an aim to expanding its production capacity and sales coverage. The acquisition of Changchun Dihao was made in September 2004 leading to an increase in the total designed annual production capacity of the Global Sweeteners Group from 160,000 tonnes to 330,000 tonnes. The acquisition of Changchun Dihao enabled the Global Sweeteners Group to reach farther out to their existing customers in other provinces of the PRC, namely Liaoning and Hebei provinces. Changchun Dihao has contributed about 55.4%, 79.1%, 71.4% and 62.5% of the Group's turnover and about 82.0%, 101.7%, 90.2% and 89.3% of the Group's net profit for the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. In terms of sales volume, Changchun Dihao's sale volume represented about 57.9%, 83.6%, 81.5% and 79.4% of that of the Global Sweeteners Group (taking into account its attributable interests in the Jointly-controlled Entities) for the three years ended 31 December 2006 and the three months ended 31 March 2007.

Future acquisition opportunity may be pursued if management consider acquisition to be more beneficial to the Global Sweeteners Group compared to establishing a new production facility or expanding on its current facilities. Past acquisitions have a favourable impact on the financial position of the Global Sweeteners Group as the financial performance of the acquired entities were consolidated into the Group's financial results during the Track Record Period and the Directors believe that any future acquisitions are likely to have similar effect.

### *Changes in product mix*

Apart from the quantity of products sold by the Global Sweeteners Group, the turnover of the Group change as its product mix and product specifications change. Gross margins of different products of the Global Sweeteners Group vary and if there is new addition to the product range with higher gross margin, the overall gross margin will increase. Therefore, the Group's gross margin for a period is affected by, among others, the proportion of sales of higher gross margin products compared to sales of lower gross margin products.

As shown in the table above, HFCS had the highest average gross profit margin among all the products of the Global Sweeteners Group in 2006 and the three months ended 31 March 2007. During the Track Record Period, the sales volume of HFCS attributable to the Global Sweeteners Group increased from about 16,000 tonnes for the year ended 31 December 2004 to about 48,000 tonnes for the year ended 31 December 2006, and from about 9,700 tonnes for the three months ended 31 March 2006 to about 12,230 tonnes for the three months ended 31 March 2007, while average selling price of HFCS increased from about HK\$1,600 per tonne for the year ended 31 December 2004 to about HK\$2,400 for the year ended 31 December 2006, and from about HK\$2,200 per tonne for the three months ended 31 March 2006 to about HK\$2,300 per tonne for the three months ended 31 March 2007. Gross profit from the sales of HFCS increased by ten-fold from about



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HK\$3.5 million for the year ended 31 December 2004 to about HK\$38.9 million for the year ended 31 December 2006. In addition, for products such as glucose syrup and maltose syrup, their average selling prices differ due to different product specifications. The production capacity of the Global Sweeteners Group and the sales volume and revenue of the Group increased substantially as a result of the acquisition of Changchun Dihao. Total sales volume of glucose syrup and maltose syrup increased from about 142,000 tonnes for the year ended 31 December 2004 to over 611,000 tonnes for the year ended 31 December 2006 while the aggregate gross profits increased from about HK\$51.9 million for the year ended 31 December 2004 to about HK\$207.0 million for the year ended 31 December 2006. These factors have principally contributed to the overall increase in the operating results of the Group during the Track Record Period while sugar alcohol has incurred small amount of gross loss and the newly launched crystallised glucose has recorded a gross profit for the first time in the three months ended 31 March 2007.

### *PRC taxation*

The Group's results of operations are significantly affected by the PRC enterprise income tax to which the operating subsidiaries in the PRC are subject to. Members of the Global Sweeteners Group have benefited and will continue to benefit (where applicable) from the two-year full exemption and three year 50% reduction in enterprise income tax and the preferential statutory tax rate of 27%, depending where they are located. Changchun Dihao, which was granted Technological Advanced Enterprise status, was entitled to a lower applicable tax rate of 10% for the Track Record Period. As a result of these preferential tax treatments, the effective tax rate for each of the three years ended 31 December 2006 was 11.9%, 10.7% and 11.3% respectively. The Directors expect the Group's effective tax rate will increase once these preferential tax treatments expire and/or terminate.

### *Finance costs*

The Group's finance costs increased substantially, from less than HK\$0.9 million for the year ended 31 December 2004 to about HK\$5.7 million and HK\$13.4 million for the year ended 31 December 2005 and 2006 respectively, principally due to the increased level of bank borrowings by the end of 2004 to about HK\$172.3 million to finance its capital expenditures as compared with the average debt level during 2004. The acquisitions of 75% and 25% interest in Changchun Dihao in 2004 and 2005 respectively, expansion of the production capacity of Changchun Dihao in 2005 and construction of the production facilities of CDNP and Dihao Crystal in 2005 and 2006 respectively, were financed by, among others, bank financings which led to the increase in the Group's finance costs during the Track Record Period.

The Directors consider that the credit tightening measures and the rising interest rates in the PRC do not have significant impact on the Group as effective interest rate remained relatively stable around 5% to 6% during the Track Record Period as most of the Group's borrowings are loans with fixed interest rate and had maturity ranging from about three months to three years from 31 March 2007. The Group may continue to seek debt financing for its future expansion after the Share Offer, which will lead to a further increase in finance cost.

### **Related party transactions**

Corn starch is the principal production material for the production of corn sweeteners products and the Global Sweeteners Group sources most of its supply from the GBT Group. Owing to the close proximity of Changchun Dihao's production facility and that of the GBT Group's, the Group has been able to source principal production materials from the GBT Group at relatively lower prices

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as costs for dehydration, packaging and transportation are saved, which lead to a higher gross margin. With a relatively low purchasing and transportation costs for production materials, the Group is able to reduce its cash outflow for operating activities.

During the three years ended 31 December 2006 and the three months ended 31 March 2007, the GBT Group was the largest supplier of the Global Sweeteners Group, accounting for about 78.7%, 89.1%, 90.4% and 82.7% of its total purchases, and about 98.1%, 98.9%, 99.9% and 92.1% of its total purchases of corn starch, respectively.

On the other hand, the Global Sweeteners Group sold some of its products, in particular glucose syrup, to members of the GBT Group. Sales to the GBT Group accounted for about 2.3%, 45.8%, 40.2% and 41.3% of the Group's turnover for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 respectively. The Group has progressively decreased its sales of glucose syrup to the GBT Group since April 2007 and most of the glucose syrup previously supplied to the GBT Group is expected to be sold to third party customers and to be processed further in the production of the Group's crystallised glucose at additional cost and time. However, in the event the Global Sweeteners Group cannot sell its corn sweeteners to third parties when the GBT Group reduces or ceases its purchases from the Group, the turnover, profitability and cash flow of the Global Sweeteners Group will be significantly adversely affected.

Please refer to the section headed "Risk factors" in this prospectus for discussion of other factors that may have impact on the operating results and financial condition of the Global Sweeteners Group.

### **Critical accounting policies**

The discussion and analysis of the Group's financial position and results of operations are based on the consolidated financial statements prepared in accordance with the principal accounting policies set forth in the accountants' report in appendix I to this prospectus. Preparation of individual and consolidated financial statements of the Group requires the Global Sweeteners Group to make estimates and judgments in applying certain critical accounting policies which have significant impact on the consolidated results of the Group. The Global Sweeteners Group based its estimates on historical experience and other assumptions which management believe to be reasonable under the circumstances. Results may be different from these estimates under different assumptions and conditions. The accounting policies set out below have been identified by the management of the Global Sweeteners Group as most critical to its consolidated financial statements.

#### **(a) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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### **(b) *Property, plant and equipment***

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2.0%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

### **(c) *Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **(d) *Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. The amount of provision is recognised in the income statement.

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### (e) *Taxation*

Members of the Group in the PRC are subject to 中華人民共和國外商投資企業和外國投資企業所得稅 (PRC Enterprise Income Tax for Foreign Invested Enterprises and Foreign Enterprises) (“**PRC EIT**”), PRC value-added tax (“**VAT**”) and PRC sales tax.

#### (i) *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

All of the members of the Global Sweeteners Group operating in the PRC are entitled to full exemption from enterprise income tax for the first two years commencing from the first profitable year of their operation (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years) and are entitled to a 50% reduction in enterprise income tax for the following three years.

The validity periods of the preferential tax exemptions enjoyed by the following PRC subsidiaries and jointly-controlled entities are as follows:

	<u>Statutory tax rate</u>	<u>First profitable year</u>
Changchun Dihao*	33%	2000
GCHF	33%	2006
Hao Cheng	33%	2001
Dihao Crystal	33%	Tax Loss
CDNP	33%	Tax Loss

\* Changchun Dihao, which was granted Technological Advanced Enterprise status, was entitled a lower applicable tax rate of 10% for the Track Record Period.

- *Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax. The Company’s subsidiary established in BVI was incorporated under the International Business Companies Acts of BVI and, accordingly, is exempted from payment of income tax of BVI.

- *Hong Kong profits tax*

Pursuant to the relevant tax rules and regulations, Hong Kong companies are not subject to any income tax in Hong Kong on profits generated outside Hong Kong.

#### (ii) *VAT*

Members of the Global Sweeteners Group operating in the PRC are subject to VAT, which is levied at 17% on the gross transaction amount of the sales or purchase of goods in the PRC. Changchun Dihao, being recognised as a general VAT payer which engaged in food production in the Northeastern old industrial base, is entitled to applied the amount of input

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VAT it paid on purchase of fixed assets used for production to offset its VAT payable. Input VAT on purchases are included in the calculation of cost of sales while output VAT on sales are not recognised as part of the revenue generated by the Group. The output VAT on sales is credited to the “other payables and accruals” in the consolidated balance sheet while the input VAT on purchases is debited to the same account in the consolidated balance sheet.

### Overview of major income statement items of the Group

#### (a) Revenue

The revenue of the Group during the Track Record Period was generated from the sale of corn sweeteners, with a substantial portion derived from the sale of various types of corn syrups, in particular, to the GBT Group which amounted to about HK\$6.1 million, HK\$378.1 million, HK\$459.7 million, HK\$95.2 million and HK\$138.9 million for each of the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. On the other hand, sale of corn syrup solids and sugar alcohol have increased during the Track Record Period and contributed to a larger portion of the Group’s revenue.

Revenue generated from the Group’s business experienced grow rates of about 211.3% and 38.7% during the two years ended 31 December 2006. All of the Global Sweeteners Group’s products were sold domestically in the PRC during the Track Record Period. For the three months ended 31 March 2007, revenue generated from the Group’s business increased by about 58.6% compared with that for the three months ended 31 March 2006.

Set out below are the breakdowns of revenue by products and geographical markets of the Group during the Track Record Period:

#### *By products*

	Year ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Corn syrups</b>					
Glucose syrup	74,638	460,680	639,835	119,644	190,304
Maltose syrup	146,575	267,145	304,212	55,329	85,221
HFCS*	26,548	45,054	113,631	21,133	28,305
<b>Corn syrup solids</b>					
Crystallised glucose ( <i>Note 1</i> )	—	—	21,267	—	17,715
Maltodextrin	14,423	41,175	52,254	10,542	13,471
<b>Sugar alcohol</b>					
Sorbitol ( <i>Note 2</i> )*	2,832	10,918	6,245	5,387	1,271
Others	—	—	6,697	—	63
<b>Total</b>	<u>265,016</u>	<u>824,972</u>	<u>1,144,141</u>	<u>212,035</u>	<u>336,350</u>

*Notes:*

- Sales of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.

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2. Sale of sorbitol produced by CDNP commenced in November 2005 while trading of sorbitol had been carried out by the Global Sweeteners Group during the Track Record Period.
3. Others include mother solution and other by-products.

\* *These mainly represent the portions of turnover attributable to the relevant Jointly-controlled Entities which have been consolidated into the Group's accounts. As disclosed in the paragraph headed "Summary of significant accounting policies" in appendix I to this prospectus, the Group's interests in its Jointly-controlled Entities are accounted for by proportionate consolidation, which involves recognising its share of the Jointly-controlled Entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.*

The increase in revenue during the Track Record Period was mainly due to the consolidation of the results of and the increased contribution from Changchun Dihao, the increase in the average selling prices of corn sweeteners for the same products, the introduction of crystallised glucose in 2006 and the increase in sales volume of the Global Sweeteners Group's products. In particular, the increase in sales resulted from the increased production capacity of the Global Sweeteners Group coincided with the strong demand for both glucose and maltose syrups.

Sales of HFCS have increased throughout the Track Record Period, from about HK\$26.5 million for the year ended 31 December 2004 to about HK\$113.6 million for the year ended 31 December 2006 and from about HK\$21.1 million for the three months ended 31 March 2006 to about HK\$28.3 million for the three months ended 31 March 2007. These figures represent only 50% of GCHF's sales of HFCS as the Group only consolidates 50% of such sales according to the Group's attributable interest in GCHF. As for sales of crystallised glucose, sorbitol and by-products by CDNP, the Group only accounts for 51% of such revenue.

### *By geographical markets*

The table below sets out the geographical breakdowns of revenue of the Group during the Track Record Period:

Region	Year ended 31 December						Three months ended 31 March			
	2004		2005		2006		2006		2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Northern China	80,080	30.2	529,193	64.2	736,199	64.4	130,450	61.5	198,235	58.9
Eastern China	122,416	46.2	190,684	23.1	305,752	26.7	65,915	31.1	97,149	28.9
Southern China	62,520	23.6	105,095	12.7	102,190	8.9	15,670	7.4	40,966	12.2
Total	<u>265,016</u>	<u>100.0</u>	<u>824,972</u>	<u>100.0</u>	<u>1,144,141</u>	<u>100.0</u>	<u>212,035</u>	<u>100.0</u>	<u>336,350</u>	<u>100.0</u>

Revenue of the Group derived from Northern China amounted to about HK\$80.1 million, HK\$529.2 million, HK\$736.2 million, HK\$130.5 million and HK\$198.2 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. The increase in the revenue of the Group derived from Northern China during the Track Record Period was mainly due to the acquisition of Changchun Dihao and its increased sales allowed by its capacity expansion.

Revenue of the Group derived from Eastern China amounted to about HK\$122.4 million, HK\$190.7 million, HK\$305.8 million, HK\$65.9 million and HK\$97.1 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. The increase in the revenue of the Group derived from Eastern China during the Track Record Period was mainly due to the increased unit selling prices and quantities sold by Haocheng and GCHF.

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Similar to Northern China, sales of the Group in Southern China increased during the Track Record Period subsequent to the acquisition of Changchun Dihao and its capacity expansion, revenue of the Group derived from Southern China amounted to about HK\$62.5 million, HK\$105.1 million, HK\$102.2 million, HK\$15.7 million and HK\$41.0 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively.

The sales increase in 2005 as compared to 2004 was mainly attributable to the results derived from Changchun Dihao as a result of the acquisition of Changchun Dihao by the Global Sweeteners Group in the second half of 2004 through which the Group was able to consolidate the full year result of Changchun Dihao in 2005. In the year ended 31 December 2006 and the three months ended 31 March 2007, revenue continued to increase compared with that in the year ended 31 December 2005 and the three months ended 31 March 2006 as the sales volume of each of the production plants of the Group increased in addition to the increase in the unit selling prices of the products of the Group.



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*Sales volume (in tonnes)*

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March 2006	2007
<b>Corn syrups</b>					
Glucose syrup (Note 1)	45,530	337,681	435,801	88,193	115,906
Maltose syrup (Note 1)	96,068	172,001	175,139	33,459	44,913
HFCS*	16,136	25,123	47,794	9,701	12,230
<b>Corn syrup solids</b>					
Crystallised glucose (Note 2)	—	—	9,506	—	8,279
Maltodextrin	8,353	21,172	23,543	5,062	5,660
<b>Sugar alcohol</b>					
Sorbitol* (Note 3)	1,534	4,159	2,638	2,632	485
Others (Note 4)	—	—	4,766	—	108

*Notes:*

1. Sales volume of maltose and glucose syrups for the year ended 31 December 2004 included the sales volume by Hao Cheng for the whole year and the sales volume by Changchun Dihao from 1 July 2004 to 31 December 2004. Sales volume of maltose and glucose syrups for the year ended 31 December 2005 included the sales volume by Hao Cheng and Changchun Dihao for the whole year.
2. Sales of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
3. The Global Sweeteners Group was engaged in the trading of sorbitol during the Track Record Period and sales of sorbitol produced by CDNP commenced in November 2005.
4. Others represent the sale of mother solution and other by-products.

\* These mainly represent the portions of turnover attributable to the relevant Jointly-controlled Entities which have been consolidated into the Group's accounts.

The increase in sales volume of all of the Global Sweeteners Group's products during the Track Record Period, was mainly due to strong market demand for corn sweeteners in the PRC and increase in production capacities and contribution from new products of the Global Sweeteners Group. In particular, sales volume of glucose syrup increased by seven times for the year ended 31 December 2005 as compared to that of year 2004 as CDNP and the GBT Group began sourcing glucose syrups from Changchun Dihao after its capacity expansion. The GBT Group has been sourcing corn sweeteners from the Global Sweeteners Group since the beginning of the Track Record Period for its production of other downstream products. Sales volume for HFCS had also significantly increased owing to greater demand for this product by its customers, in particular to the bottlers used by an internationally renowned beverage producer throughout the Track Record Period. On the other hand, the sales volume of sorbitol attributable to the Global Sweeteners Group increased from about 1,534 tonnes in 2004 to about 4,159 tonnes in 2005 while decreased to about 2,638 tonnes in 2006. The increase between 2004 and 2005 was mainly attributable to the commencement of production by CDNP and the increased demand while the decrease between 2005 and 2006 was mainly because CDNP utilised part of its production capacity for the production of crystallised glucose in 2006 as the management adjusted its product mix.



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The total sales volume of glucose syrup and maltose syrup increased from about 142,000 tonnes for the year ended 31 December 2004 to about 510,000 tonnes for the year ended 31 December 2005 and about 611,000 tonnes for the year ended 31 December 2006. Such increase was achieved due to the expansion of Changchun Dihao's production capacity for glucose and maltose syrup in early 2005 from 150,000 tonnes per annum to 500,000 tonnes per annum, allowing the Global Sweeteners Group to meet the increasing demand for the Group's products. In addition, as Changchun Dihao's sales volume for the full year result was consolidated into the Group's account for the year ended 31 December 2005 compared to the consolidation of a shorter period of time for the year ended 31 December 2004, the recorded sales volume increased significantly. As a result of increasing market demand for various products of the Global Sweeteners Group, including the crystallised glucose which the Group commenced selling in 2006, the sales volume for 2006 increased further. The increase in sales was supported by the production output of Hao Cheng, Changchun Dihao and GCHF, which were producing at near their respective full design production capacities.

In view of the demand for the products and production volume of the Global Sweeteners Group, the Global Sweeteners Group was able to increase its sale to output ratio from about 65.1% for the year ended 31 December 2004 to between 87.9% and 95.6% for the remaining of the Track Record Period.

Set out below are the breakdowns of the average unit selling prices and sales volume of the Group's products during the Track Record Period:

### *Product unit average selling prices*

	Year ended 31 December						Three months ended 31 March			
	2004		2005		2006		2006		2007	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	(HK\$ per tonne)	%	(HK\$ per tonne)	%	(HK\$ per tonne)	%	(HK\$ per tonne)	%	(HK\$ per tonne)	%
<b>Corn syrups</b>										
Glucose syrup	1,639	20.8	1,364	21.7	1,468	21.3	1,357	17.1	1,642	15.9
Maltose syrup	1,526	24.8	1,553	24.9	1,737	23.2	1,654	19.6	1,897	20.0
HFCS	1,645	13.3	1,793	24.3	2,378	34.2	2,178	34.0	2,314	21.0
<b>Corn syrup solids</b>										
Crystallised glucose (Note 1)	—	—	—	—	2,237	(8.0)	—	—	2,140	10.0
Maltodextrin	1,727	(4.5)	1,945	6.2	2,219	14.1	2,083	11.7	2,380	13.2
<b>Sugar alcohol</b>										
Sorbitol (Note 2)	1,847	5.1	2,625	0.7	2,368	17.1	2,047	11.5	2,617	(51.6)
Others	—	—	—	—	1,405	(15.5)	—	—	586	(402.1)

### *Notes:*

- Sales of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
- The Global Sweeteners Group was engaged in the trading of Sorbitol during the Track Record Period and sales of sorbitol produced by CDNP commenced in November 2005.

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Product unit selling prices of the Global Sweeteners Group's products fluctuate according to prices of corn kernel and corn starch, the demand and supply for each of its products, price and demand and supply for their respective substitutes in the domestic market and product specifications. Average unit selling price of glucose decreased significantly in 2005 as compared with 2004 as a substantial portion of the Group's sale of glucose syrup were carried out in Northern China, where prices of corn sweeteners were generally lower than those in Eastern China, where Hao Cheng generated a significant portion of the Group's sales. However, price of glucose bounced back in 2006 as demand for it increased in the PRC. Average unit selling price of glucose further increased to about HK\$1,642 per tonne for the three months ended 31 March 2007 which reflected the higher costs of production materials in the three months ended 31 March 2007. The average unit selling price of maltose in 2005 maintained at a similar level as in 2004 and increased to about HK\$1,737 per tonne for the year ended 31 December 2006, and further increased by about 9.2% to HK\$1,897 for the three months ended 31 March 2007. The Directors believe that such increase was also due to increasing market demand and price of corn starch. The average unit selling prices of HFCS increased from about HK\$1,645 per tonne during the year ended 31 December 2004 to about HK\$2,378 per tonne for the year ended 31 December 2006, which the Directors attributed to the increase in the price of cane sugar as HFCS can be used as an alternative to cane sugar as additives in food and beverages. For the three months ended 31 March 2007, average unit selling price of HFCS decreased to about HK\$2,314 per tonne, which was partially resulted from the overall decreasing trend in the average selling price of cane sugar in the world market as well as in the PRC market for the same period as HFCS is generally more prone to the substitution effect of cane sugar. Average unit selling price of maltodextrin followed the general increasing trend of prices of corn sweeteners over the Track Record Period. The Group had initially observed a higher price for sorbitol as compared with the price it received for trading after CDNP commenced its commercial operation in 2005. However, since the second half of 2006, price of sorbitol had dropped due to intensified competition in the PRC market. Price of sorbitol sold by the Global Sweeteners Group bounced back in the three months ended 31 March 2007 as the Global Sweeteners Group rationed the orders and further adjust the product mix of CDNP.

### **(b) Cost of sales**

Corn starch slurry and corn starch powder, the major production materials of the corn sweeteners of the Group, accounted for a major portion of cost of sales of the Group. Other components of cost of sales of the Group include:

- other production materials such as enzymes and chemicals used during the production processes
- direct labour costs, which include the cost of employees of the Group and contract employees engaged through agencies
- consumables, including catalytic agents used during the production process
- utilities, mainly include water, electricity, steam and wastewater treatment
- depreciation of production equipment and plant facilities
- other manufacturing overhead, such as repair and maintenance of production equipment and plant facilities, indirect labour costs

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Set out below are the breakdown of the cost of sales of the Group during the Track Record Period:

	Year ended 31 December			Three months ended 31 March						
	2004	2005	2006	2006	2007					
	HK\$'000	%	HK\$'000	%	HK\$'000	%				
Cost of inventories sold (Note 1)	165,798	78.9%	556,295	86.2%	772,002	86.5%	146,393	85.3%	242,348	86.4%
Consumables (Note 2)	10,044	4.8%	4,383	0.7%	2,225	0.2%	439	0.3%	6,526	2.3%
Depreciation	5,481	2.6%	26,055	4.0%	26,295	3.0%	6,183	3.6%	6,562	2.3%
Direct labour	2,142	1.0%	4,157	0.7%	6,239	0.7%	1,759	1.0%	2,526	0.9%
Water and electricity	25,050	11.9%	46,346	7.2%	65,190	7.3%	14,779	8.6%	18,036	6.4%
Overhead and others	1,574	0.8%	7,801	1.2%	20,613	2.3%	2,110	1.2%	4,550	1.7%
	<u>210,089</u>	100.0%	<u>645,037</u>	100.0%	<u>892,564</u>	100.0%	<u>171,663</u>	100.0%	<u>280,548</u>	100.0%

### Notes

1. Cost of inventories sold includes cost of starch and other production materials as well as the changes in the amounts of the work-in-progress inventory and finished good inventory from the beginning to the ending of each financial year.
2. Consumables include gears used such as uniform and gloves for the workers on production sites, parts for machinery such as screws, stationery, tools and enzymes used during production.

The cost of sales of the Group, experienced an upward trend during the Track Record Period as the prices of the principal production material, corn starch slurry and corn starch powder increased as the sales volume increased. The price of corn starch is subject to various factors, including but not limited to the harvest of corn during the year and the supply and demand of starch in the PRC market. The average price of corn starch purchased by the Global Sweeteners Group increased from about HK\$1,290 per tonne during the year ended 31 December 2004 to about HK\$1,477 per tonne during the year ended 31 December 2006. For the three months ended 31 March 2007, the average purchase price of corn starch for the Global Sweeteners Group further increased to about HK\$1,674 per tonne. During the Track Record Period, the Group had sourced almost all of its corn starch from the GBT Group, at prices determined with reference to the then prevailing market prices, and in respect of corn starch purchased by the Group's production facilities in Changchun and to be delivered in the form of starch slurry through starch pipeline, with adjustments made with reference to the dehumidifying, packaging, transportation, storage and other related costs saved from such arrangement. Among the total purchases of starch by the Global Sweeteners Group in the amounts of about HK\$230.9 million, HK\$550.9 million, HK\$795.8 million, HK\$166.1 million and HK\$252.4 million for each of the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007, about HK\$226.4 million, HK\$545.1 million and HK\$794.7 million, HK\$165.7 million and HK\$232.5 million were sourced from the GBT Group respectively. Other components of the cost of sales, in general, also increased during the Track Record Period as sales volume of the Global Sweeteners Group increases.

The cost structure of the Group has remained relatively stable during the Track Record Period with cost of inventories sold comprised about 78.9%, 86.2%, 86.5% and 86.4%, of the respective total cost of sales in each of the three years ended 31 December 2006 and the three months ended 31 March 2007 while depreciation as a percentage of total cost of sales decreased due to economies of scale as the Global Sweeteners Group increased its production scale to meet increased sales.

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**(c) Gross profit and gross profit margin**

Set out below are the consolidated gross profit and gross profit margin of the products of the Group during the Track Record Period:

	Year ended 31 December						Three months ended 31 March			
	2004		2005		2006		2006		2007	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Corn syrup</b>										
Glucose syrup	15,554	20.8	99,787	21.7	136,298	21.3	20,468	17.1	30,196	15.9
Maltose syrup	36,338	24.8	66,576	24.9	70,701	23.2	10,856	19.6	17,026	20.0
HFCS	3,533	13.3	10,931	24.3	38,877	34.2	7,188	34.0	5,946	21.0
<b>Corn syrup solids</b>										
Crystallised glucose (Note 1)	—	—	—	—	(1,693)	(8.0)	—	—	1,772	10.0
Maltodextrin	(642)	(4.5)	2,566	6.2	7,363	14.1	1,239	11.7	1,774	13.2
<b>Sugar alcohol</b>										
Sorbitol (Note 2)	144	5.1	75	0.7	1,067	17.1	621	11.5	(656)	(51.6)
Others	—	—	—	—	(1,036)	(15.5)	—	—	(256)	(402.1)
<b>Total</b>	<u>54,927</u>	<u>20.7</u>	<u>179,935</u>	<u>21.8</u>	<u>251,577</u>	<u>22.0</u>	<u>40,372</u>	<u>19.0</u>	<u>55,802</u>	<u>16.6</u>

Notes:

- Sales of crystallised glucose by CDNP and Dihao Crystal commenced in February 2006 and November 2006 respectively.
- Sale of sorbitol produced by CDNP commenced in November 2005 and trading of sorbitol had been carried out by the Global Sweeteners Group during the Track Record Period.

*Fluctuation of gross profit margins of corn syrups*

Gross profit margin of glucose syrup remained within the range of 20.8% to 21.7% for the three years ended 31 December 2006 while gross profit margin of maltose syrup fluctuated between 23.2% and 24.9% over the corresponding period. The gross profit margin for glucose syrup and maltose syrup slightly increased to about 21.7% and about 24.9% respectively, for the year ended 31 December 2005 as Changchun Dihao achieved economies of scale. The close proximity of its production plant and the GBT Group's production plant also allowed the Global Sweeteners Group to minimise its cost of sales. The gross profit margin for glucose syrup decreased slightly for the year ended 31 December 2006 to about 21.3% as the increase in price of corn starch edged in the gross profit margins. At the same time, gross profit margin of maltose syrup had also dropped from about 24.9% for the year ended 31 December 2005 to about 23.2% for the year ended 31 December 2006 due to rising material costs. For the three months ended 31 March 2007, the gross profit margins for the sales of glucose syrup and maltose syrup remained at similar level as that in the same months of the previous year.

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Gross profit margin of HFCS had shown an increasing trend over the Track Record Period from about 13.3% for the year ended 31 December 2004 to about 34.2% for the year ended 31 December 2006. Such improvement was mainly due to the demand for HFCS increased in tandem with the increase in market prices of cane sugar which allowed for higher unit selling price of HFCS and the achievement of economies of scale.

For the three months ended 31 March 2007, the gross profit margin of all the corn syrups of the Global Sweeteners Group decreased as compared to the year ended 31 December 2006. Such decrease was due to the general lower sales and production volume in the first quarter of each year.

### *Fluctuation of gross profit margins of corn syrup solids*

Production of crystallised glucose only commenced in January 2006 under CDNP and trial production commenced in November of the same year under Dihao Crystal. The gross loss of crystallised glucose recorded for the year ended 31 December 2006 was about HK\$1.7 million, which was mainly resulted from costs incurred for trial production and adjustments to production process of Dihao Crystal. For the three months ended 31 March 2007, a gross profit of about HK\$1.8 million was recorded for the sales of the Group's crystallised glucose with a gross profit margin of about 10.0% as Dihao Crystal continued to ramp up its production volume and achieved economy of scale. The Directors believe that crystallised glucose generally has a higher margin than glucose syrup because of its wide application, easy storage and transportation.

The Group had recorded improvement in the gross profit margin generated from the sale of maltodextrin. Mass production commenced in 2004 after the acquisition of Changchun Dihao but a gross loss was recorded as the Group had to make adjustments to its production process. For the year ended 31 December 2005, both gross profit and gross profit margin were achieved for maltodextrin and the Group was able to record a gross profit margin of about 6.2% as a result of the increases in sales volume and unit selling prices and improvement in production efficiency. The gross profit margin for maltodextrin increased further to about 14.1% for the year ended 31 December 2006 due to the increase in the average unit selling price and achievement of economies of scale, and for similar reasons, for the three months ended 31 March 2007, the gross profit margin of maltodextrin increased to 13.2% from 11.7% for the three months ended 31 March 2006.

### *Fluctuation of gross profit margins of sugar alcohol*

Small amount of sorbitol was traded by the Group with a gross profit margin of about 5.1% in 2004. The Global Sweeteners Group commenced production of sorbitol through CDNP in November 2005 and recorded a slight gross profit of about HK\$0.1 million for the year ended 31 December 2005 while CDNP adjusted its production process after the commencement of commercial production. With the completion of the adjustments to the production process by CDNP, gross profit and gross profit margin of about 17.1% was recorded for the year ended 31 December 2006 for sorbitol in spite of the low sales volume. For the three months ended 31 March 2007, a relatively small amount of gross loss of about HK\$0.7 million was recorded for the sales of sorbitol, which did not have significant effect on the Group's overall gross profit as the sales volume of sorbitol during the period was less than 500 tonnes.

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### **(d) *Other income***

Other income of the Group generated during the Track Record Period was mainly attributable to the trading of corn starch and sale of by-products and recycled packaging materials. During the Track Record Period, as the GBT Group did not have a representative office in Shanghai, the GBT Group sold corn starch through Hao Cheng to some of its customers to capitalise the business opportunities available. Selling prices of such products were determined by the GBT Group and its customers. Hao Cheng charged the GBT Group certain administrative and handling fees as its trading income. Other income was also generated on the sale of recycled packaging materials and other materials by the Global Sweeteners Group. In addition, the Group had also recorded foreign exchange gain during the Track Record Period.

### **(e) *Selling and distribution costs***

Selling and distribution costs of the Group comprise mainly transportation and packaging costs, which tended to vary in proportion to sales volume. Depending on the terms of sale agreed between the Group and its customers, transportation costs for the delivery of the Group's products were borne by either party. Although the glucose syrup sold by the Global Sweeteners Group to CDNP and the GBT Group were delivered by tank truck without incurring any packaging costs, packaging expenses increased as sales volume to customers other than the GBT Group increased. Other selling expenses included salaries and commissions paid to sales and marketing personnel as incentives as well as other related administrative and traveling expenses.

Total selling and distribution costs of the Group, comprised mainly transportation costs, packaging costs and salaries, amounted to about HK\$20.4 million, HK\$50.1 million, HK\$48.3 million, HK\$8.4 million and HK\$11.1 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. As a result of the acquisition of Changchun Dihao in 2004 and the growth and expansion of the Global Sweeteners Group, the selling and distribution costs of the Group increased alongside with the increase in revenue. Transportation costs amounted to about HK\$12.8 million, HK\$37.3 million, HK\$31.0 million, HK\$4.7 million and HK\$7.4 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007. The increase in transportation cost during the year ended 31 December 2005 as compared to the year ended 31 December 2004 was mainly due to the consolidation of the full year result of Changchun Dihao and the increased deliveries to the GBT Group, for which such costs were borne by the Group. For the year ended 31 December 2006 and the three months ended 31 March 2007, the transportation costs decreased despite the sales increased compared with the corresponding period in prior year respectively was as a result of the more favourable delivery terms obtained by Changchun Dihao from its customers.

Packaging costs amounted to about HK\$3.0 million, HK\$7.9 million, HK\$6.8 million, HK\$1.9 million and HK\$1.6 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007. The increase in packaging cost during the year ended 31 December 2005 as compared to the year ended 31 December 2004 was mainly due to the increase in production capacity and sales volume. For the year ended 31 December 2006 and the three months ended 31 March 2007, the packaging costs decreased slightly compared with the year ended 31 December 2005 and the three months ended 31 March 2006 respectively as certain amounts of sales orders received by Changchun Dihao required other means of storage for the delivery instead of using barrels.

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**(f) *Administrative expenses***

Administrative expenses, comprise mainly audit fee, staff costs and welfare. Administrative expenses amounted to about HK\$6.7 million, HK\$10.7 million, HK\$15.0 million, HK\$2.7 million and HK\$4.2 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. As a result of the acquisition of Changchun Dihao in 2004 and the growth and expansion of the Global Sweeteners Group, administrative expenses of the Group increased as revenue increase. Audit fee only amounted to about HK\$19,000 for the year ended 31 December 2004 due to the then size of the Global Sweeteners Group, and increased to about HK\$3.2 million for the year ended 31 December 2006 as a result of the expansion of the business of the Global Sweeteners Group and preparation for the Listing. Staff costs and welfare amounted to about HK\$2.4 million, HK\$3.5 million, HK\$3.6 million, HK\$0.9 million and HK\$1.8 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. The increase in staff costs and welfare during the year ended 31 December 2005 as compared to the year ended 31 December 2004 was again due to the acquisition of Changchun Dihao. Staff costs and welfare has remained stable for the two years ended 31 December 2006, and the increase for the three months ended 31 March 2007 compared with the corresponding period in 2006 was mainly due to the increased headcount as the Group established the production facility for Dihao Crystal.

**(g) *Other expenses***

Other expenses comprise primarily of incurred expenses such as impairment of prepaid land premiums, reimbursements to GCHF for utility charges received as agreed between the Global Sweeteners Group and the joint venture partner and costs incurred as a result of settlement arrangement with a customer of the Global Sweeteners Group relating to termination of sales orders arising from the delay in delivery of products by a member of the Global Sweeteners Group. Provision for any doubtful debt on accounts receivable and impairments of assets are also recorded by the Group as other expenses.

**(h) *Finance cost***

Finance costs of the Group represents interest accrued on outstanding bank loans for the respective year during the Track Record Period.

**(i) *Income tax***

All of the members of the Global Sweeteners Group operating in the PRC are entitled to full exemption from enterprise income tax for the first two years commencing from the first profitable year of their operation (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years) and are entitled to a 50% reduction in enterprise income tax for the following three years. Income tax expense of the Group are income tax paid by members of the Global Sweeteners Group in the PRC. No provision for profits tax has been made for members of the Global Sweeteners Group outside of the PRC as the Group had no assessable profits generated outside the PRC during the three years ended 31 December 2006 and the three months ended 31 March 2007.

During the Track Record Period, the effective tax rates of the Global Sweeteners Group were 11.9%, 10.7%, 11.3%, 11.2% and 12.8% for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. The changes in income tax of the Group were mainly due to changes of the contributions from and different effective tax rates of different members of the Global Sweeteners Group during the Track Record Period.

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**(j) Profit attributable to equity holders of the Company**

Profit attributable to equity holders of the Company amounted to about HK\$18.5 million, HK\$80.7 million, HK\$156.7 million, HK\$23.7 million and HK\$34.6 million for the three years ended 31 December 2006 and the three months ended 31 March 2006 and 2007 respectively. It increased by about 337.1% in the year ended 31 December 2005 compared to the year ended 31 December 2004 due to the consolidation of the full year result of Changchun Dihao and the growth and expansion of the Global Sweeteners Group. The Group recorded a growth of about 94.3% and about 46.3% in profit attributable to equity holders of the Company for the year ended 31 December 2006 and the three months ended 31 March 2007 compared to the year ended 31 December 2005 and the three months ended 31 March 2006 respectively, mainly due to the growth and expansion of the Global Sweeteners Group and the increase in overall gross profit margins of the products of the Global Sweeteners Group.

**(k) Minority interests**

Minority interests of the Group increased from about HK\$4.8 million to HK\$15.0 million as the operating results of Changchun Dihao continued to grow during the two years ended 31 December 2005. It then dropped to zero for the year ended 31 December 2006 as the Company has accounted for 100% interests of Changchun Dihao since September 2005 under the Reorganisation.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Three months ended 31 March 2007 compared with three months ended 31 March 2006

*Revenue*

Revenue of the Group increased by about HK\$124.3 million, or about 58.6%, from about HK\$212.0 million for the three months ended 31 March 2006 to about HK\$336.4 million for the three months ended 31 March 2007, mainly due to the increase in the overall sales volume and average unit selling price of most of the Global Sweeteners Group's products. During the three months ended 31 March 2007, the Group recorded increased sales of all corn sweeteners products except sorbitol. In particular, revenue generated from the sales of glucose syrup increased by about HK\$70.7 million, representing an increase of about 59.1% compared with the corresponding period in 2006. Newly launched crystallised glucose by both CDNP and Dihao Crystal also contributed about HK\$17.7 million to the Group's revenue for the three months ended 31 March 2007. However, there was a drop in the revenue generated from sorbitol as a result of lower sales volume although it only represents a small portion of the turnover of the Group in both periods.

*Cost of sales*

Cost of sales of the Group increased by about HK\$108.9 million, or 63.4%, from about HK\$171.7 million for the three months ended 31 March 2006 to about HK\$280.5 million for the three months ended 31 March 2007. Cost of sales of the Group's glucose syrup, maltose syrup, HFCS and maltodextrin increased by 61.4%, 53.3%, 60.3% and 25.7% respectively, which was due to the increase in the sales volume and the unit cost of each respective products.



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### *Gross profit*

Gross profit of the Group increased by about HK\$15.4 million, or about 38.2%, from about HK\$40.4 million for the three months ended 31 March 2006 to about HK\$55.8 million for the three months ended 31 March 2007, mainly due to the increase in sales generated from glucose syrup and maltose syrup. The newly launched crystallised glucose by both CDNP and Dihao Crystal recorded a gross profit of about HK\$1.8 million during the three months ended 31 March 2007, which also contributed to the Group's increased gross profit during the period.

During the three months ended 31 March 2007, gross profit margin for the sales of glucose syrup, maltose syrup and maltodextrin was maintained at levels close to those of the corresponding period in 2006. On the other hand, the gross profit margin of HFCS decreased from about 34.0% to about 21.0%. The Directors are of the view that such decrease was due to both the relatively larger increase in the unit cost of production of HFCS than the increase in the unit selling price of HFCS compared with the corresponding periods.

### *Other income*

Other income of the Group increased from about HK\$0.9 million for the three months ended 31 March 2006 to about HK\$2.8 million for the three months ended 31 March 2007, mainly due to the increase in the trading of corn starch by the Global Sweeteners Group to about HK\$1.6 million from about HK\$0.4 million for the three months ended 31 March 2006.

### *Selling and distribution cost*

Selling and distribution costs of the Group increased by about HK\$2.7 million, or about 32.0%, from about HK\$8.4 million for the three months ended 31 March 2006 to about HK\$11.1 million for the three months ended 31 March 2007, among which the transportation cost increased from about HK\$4.7 million to about HK\$7.4 million. Such increase was mainly attributable to the increase in the sales volume of the Global Sweeteners Group of about 34.9% compared with that in the previous period.

### *Administrative expenses*

Administrative expenses of the Group increased by about HK\$1.6 million, or about 59.7% from about HK\$2.7 million for the three months ended 31 March 2006 to about HK\$4.2 million for the three months ended 31 March 2007, mainly due to the increased staff salaries about HK\$1.0 million because of increased headcount.

### *Other expenses*

Other expenses decreased from about HK\$725,000 for the three months ended 31 March 2006 to about HK\$19,000 the three months ended 31 March 2007. The expenses incurred in the three months ended 31 March 2006 were mainly attributable to reimbursement to a customer as a result of renegotiation of terms of sales. No expense of similar nature was incurred during the three months ended 31 March 2007.

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### *Finance costs*

Finance costs of the Group increased from about HK\$2.8 million for the three months ended 31 March 2006 to about HK\$3.4 million for the three months ended 31 March 2007 due to the increased level of long term bank borrowings.

### *Profit for the period*

The Group's net profit increased by about HK\$10.9 million, or about 46.3%, to about HK\$34.6 million for the three months ended 31 March 2007 from about HK\$23.7 million for the three months ended 31 March 2006.

### **Year ended 31 December 2006 compared with year ended 31 December 2005**

### *Revenue*

Revenue of the Group increased by about HK\$319.2 million, or about 38.7%, from about HK\$825.0 million for the year ended 31 December 2005 to about HK\$1,144.1 million for the year ended 31 December 2006, mainly due to the increase in the overall sales volume and average unit selling price of most of the Global Sweeteners Group's products. The Group had recorded increased sales of all corn syrup products as well as maltodextrin. Increase of the average unit selling prices for each of these products range from about 7.6% for glucose syrup to about 32.6% for HFCS. Newly launched crystallised glucose by both CDNP and Dihao Crystal also contributed to the Group's increased revenue. However, there was a drop in the revenue generated from sorbitol as a result of lower sales volume.

### *Cost of sales*

Cost of sales of the Group increased by about HK\$247.5 million, or 38.4%, from about HK\$645.0 million for the year ended 31 December 2005 to about HK\$892.6 million for the year ended 31 December 2006, mainly due to the increase in sales volume of the Global Sweeteners Group. Cost of inventories sold remained as the major component of the cost of sales of the Group, representing about 86.5% of the total cost of sales for the year ended 31 December 2006. Each of the operating members of the Global Sweeteners Group recorded double digit increase of over 30% in their respective cost of sales in 2006 primarily as a result of the increase in sales volume.

### *Gross profit*

Gross profit of the Group increased by about HK\$71.6 million, or about 39.8%, from about HK\$179.9 million for the year ended 31 December 2005 to about HK\$251.6 million for the year ended 31 December 2006 as the Group was able to maintained the gross profit margin at similar levels at about 21.8% and 22.0% respectively.

### *Other income*

Other income of the Group increased significantly from about HK\$2.2 million for the year ended 31 December 2005 to about HK\$5.6 million for the year ended 31 December 2006, mainly due to the increase in the trading of corn starch and sale of recycled packaging material of the Global Sweeteners Group to an aggregate amount of about HK\$4.3 million. In addition, the Group had also recorded a foreign exchange gain of about HK\$1.0 million for the year ended 31 December 2006 as compared with a foreign exchange loss for the year ended 31 December 2005.

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### *Selling and distribution costs*

Selling and distribution costs of the Group decreased by about HK\$1.8 million, or about 3.7%, from about HK\$50.1 million for the year ended 31 December 2005 to about HK\$48.3 million for the year ended 31 December 2006 despite the substantial increase in sales volume of the Global Sweeteners Group. The lower selling and distribution costs in 2006 as compared to the previous year was mainly due to the reduction in transportation expenses. For the year ended 31 December 2006, transportation expenses of Changchun Dihao decreased by about 40% as it ceased the business relationship with a relatively large customer who used to request for long haul deliveries and more sales with terms providing for transportation costs to be borne by customers were negotiated.

### *Administrative expenses*

Administrative expenses of the Group increased by about HK\$4.4 million, or about 41.1% from about HK\$10.7 million for the year ended 31 December 2005 to about HK\$15.0 million for the year ended 31 December 2006, mainly due to the auditor remuneration of about HK\$3.2 million incurred in preparation for the application for listing of the Shares. As a percentage of revenue, administrative expenses measured a similar level at about 1.3% for the year ended 31 December 2005 and 2006.

### *Other expenses*

Other expenses decreased by about HK\$4.8 million, or about 55.8%, from about HK\$8.5 million for the year ended 31 December 2005 to about HK\$3.8 million for the year ended 31 December 2006. The higher expenses in 2005 was mainly attributable to an impairment of about HK\$5.9 million recorded on the prepaid land premium of the Group. No revaluation on the properties of the Global Sweeteners Group has been carried out in 2006.

### *Finance costs*

Finance costs of the Group increased significantly from about HK\$5.7 million for the year ended 31 December 2005 to about HK\$13.4 million for the year ended 31 December 2006 despite the similar level of average outstanding bank borrowings in the two years. The lower finance cost in 2005 was mainly attributable to an one-off government grant in the amount of about HK\$6.3 million granted in favour of Dacheng Industrial, who assigned such grant to be applied on Changchun Dihao in 2005 as intended by Dacheng Industrial at the time of its application for the grant in 2003 for subsidising its interest expense on certain amount of its loans borrowed for technology improvement. The legal advisors to the Company on PRC laws have confirmed that such application of the government grant was in compliance with all of its relevant conditions.

### *Profit for the year*

As a result of the increase in profit before tax, the Group's net profit increased by about HK\$61.1 million, or about 63.8%, to about HK\$156.7 million for the year ended 31 December 2006 from about HK\$95.7 million for the year ended 31 December 2005.

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### Year ended 31 December 2005 compared with year ended 31 December 2004

#### *Revenue*

Revenue of the Group increased by about HK\$560.0 million, or about 211.3%, from about HK\$265.0 for the year ended 31 December 2004 to about HK\$825.0 million for the year ended 31 December 2005, mainly due to the increase in sales volume of glucose syrup and maltose syrup after the acquisition of Changchun Dihao in late 2004 and the increase in production capacity of the Global Sweeteners Group for these products by 350,000 tonnes at the beginning of 2005. As a result, the total production capacity for glucose and maltose syrups of the Global Sweeteners Group increased from 60,000 tonnes at the beginning of 2004 to 560,000 tonnes at the beginning of 2005. With the expanded production capacity, Changchun Dihao was able to contribute about HK\$652.6 million to the Group's revenue for the year ended 31 December 2005, of which about HK\$378.1 million resulted from sale of corn sweeteners to the GBT Group. The increases in sale of HFCS and maltodextrin also contributed to the increase in sale of the Group. The commencement of commercial production of sorbitol by CDNP in November 2005, with a total capacity of 60,000 tonnes sorbitol, added to the minimal level of revenue generated from trading of sorbitol by Hao Cheng.

#### *Cost of sales*

Cost of sales of the Group increased by about HK\$434.9 million, or about 207.0%, from about HK\$210.1 million for the year ended 31 December 2004 to about HK\$645.0 million for the year ended 31 December 2005, of which about HK\$503.8 million was incurred by Changchun Dihao. The increase was mainly due to the increase in the scale of operation of the Global Sweeteners Group and the increase in the purchase prices of corn starch for Changchun Dihao during 2005. The aggregate production volume of the Global Sweeteners Group and the average price of corn starch it purchased had increased by about 124.0% and about 15.5% in 2005 respectively.

#### *Gross profit*

Gross profit of the Group increased by about HK\$125.0 million, or about 227.6%, from about HK\$54.9 million for the year ended 31 December 2004 to about HK\$179.9 million for the year ended 31 December 2005, mainly due to the significant increase in sales generated for all product of the Global Sweeteners Group. The improved gross profit margin of about 21.8% in 2005 compared to about 20.7% in 2004 reflected the Group's achievement in terms of economies of sales with most of its product lines despite the increase in the market price of corn starch.

#### *Other income*

Other income of the Group decreased slightly from about HK\$2.3 million for the year ended 31 December 2004 to about HK\$2.2 million for the year ended 31 December 2005. There were neither material fluctuation in the Group's other income nor its components which mainly comprised sale of used packaging materials and other production materials.

#### *Selling and distribution costs*

Selling and distribution costs of the Group increased by about HK\$29.7 million, or about 145.5%, from about HK\$20.4 million for the year ended 31 December 2004 to about HK\$50.1 million for the year ended 31 December 2005, mainly due to the increased packaging and transportation expenses associated with the increase in sales volume of the Group resulting from its

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increase in production capacity. As a percentage of revenue, selling and distribution costs decreased from about 7.7% for the year ended 31 December 2004 to about 6.1% for the year ended 31 December 2005.

### *Administrative expenses*

Administrative expenses of the Group increased by about HK\$4.0 million, or about 59.9%, from about HK\$6.7 million for the year ended 31 December 2004 to about HK\$10.7 million for the year ended 31 December 2005, mainly due to the increase in staff costs and depreciations resulting from the expanded operation scale of the Global Sweeteners Group. As a percentage of revenue, administrative expenses decreased from about 2.5% for the year ended 31 December 2004 to about 1.3% for the year ended 31 December 2005 mainly because of the increase in revenue.

### *Other expenses*

Other expenses of the Group increased by about HK\$5.5 million, or about 188.3%, from about HK\$3.0 million for the year ended 31 December 2004 to about HK\$8.5 million for the year ended 31 December 2005, mainly due to a revaluation of prepaid land premium in the amount of about HK\$5.9 million recorded during 2005 while no such expenses was incurred in 2004.

### *Finance costs*

Finance costs of the Group, remained to be less than 1% of revenue, increased by about HK\$4.8 million, or about 537.7%, from about HK\$0.9 million for the year ended 31 December 2004 to about HK\$5.7 million for the year ended 31 December 2005, mainly due to the consolidation of bank loans drawdown by Changchun Dihao and additional borrowings by Changchun Dihao to finance its capital expenditures at the beginning of 2005 despite a government grant in the amount of about HK\$6.3 million in 2005, was set off against the finance costs for the year.

### *Profit for the year*

Profit for the year of the Group increased by about HK\$72.5 million, or about 312.2%, from about HK\$23.2 million for the year ended 31 December 2004 to about HK\$95.7 million for the year ended 31 December 2005, mainly due to the increase in gross profit and the full year consolidation of the results of Changchun Dihao. Changchun Dihao contributed about HK\$97.3 million of the Group's profit for the year ended 31 December 2005.

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### LIQUIDITY

The following table sets out the liquidity ratios of the Group for each of the three years ended 31 December 2006 and the three months ended 31 March 2007:

	As at 31 December			As at
	2004	2005	2006	31 March
	HK\$'000	HK\$'000	HK\$'000	2007
Current ratio <sup>(1)</sup> ( <i>times</i> )	0.93	0.63	0.74	0.83
Quick ratio <sup>(2)</sup> ( <i>times</i> )	0.84	0.58	0.66	0.75
Gearing ratio <sup>(3)</sup> (%)	22.0	17.5	16.4	19.3

(1) Current ratio is current assets divided by current liabilities.

(2) Quick ratio is current assets after subtraction of inventories divided by current liabilities.

(3) Gearing ratio equals total bank and other borrowings divided by total assets and multiplied by 100%.

#### Current ratio

The current ratios of the Group were about 0.93, 0.63, 0.74 and 0.83 as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. Although the current ratios of the Group were below one at each of the balance sheet dates during the Track Record Period, the Directors believe that the liquidity of the Group will be enhanced after the Share Offer as a substantial portion of the current liabilities representing amounts due to other members of the GBT Group, which give rise to a net amount due to the GBT Group of about HK\$235.6 million as at the Latest Practicable Date. The amounts due between the GBT Group and the Group are unsecured, interest-free and have no fixed terms of repayment. On 4 September 2007, the Global Sweeteners Group obtained a banking facility in the amount of HK\$300.0 million and will settle the amounts due to the GBT Group prior to the Listing. Fluctuation of the current ratio during the Track Record Period were mainly due to changes in amounts due to and due from other members of the GBT Group as a result of sales and purchases incurred between the Global Sweeteners Group and the GBT Group.

#### Quick ratio

Quick ratios of the Group were about 0.84, 0.58, 0.66 and 0.75 as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. Changes in quick ratios followed similar pattern and were due to similar reasons for changes in the current ratios on the respective balance sheet days. The small differences between the current ratios and quick ratios of the Group showed that the level of inventories kept by the Group did not have significant impact on the liquidity of the Group during the Track Record Period.

#### Gearing ratio

The gearing ratio of the Group, calculated as total bank and other borrowings divided by total assets, decreased from about 22.0% as at 31 December 2004 to about 17.5% as at 31 December 2005 as the amount of bank borrowings of the Group was maintained at a similar level as at 31 December 2004 and total assets of the Group continued to increase. Such ratio decreased further to about 16.4% as at 31 December 2006 as the total assets of the Group increased by about HK\$209.3 million due to improved operation scale and operating results while total borrowings of the Group increased

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by a lesser amount at about HK\$21.5 million. Gearing ratio of the Group rose to about 19.3% as at 31 March 2007 mainly due to the increase in the long-term bank loans of about HK\$52.4 million which was utilised as general working capital.

### INVENTORY AND INVENTORY TURNOVER DAYS

Inventories principally represent production materials held for production use, minimum level of work-in-progress inventory and various types of finished products held by the Group for sales and prior to delivery of those contracted to be sold. It is the policy of the Global Sweeteners Group to maintain inventory level of finished products not exceeding the aggregate production volume of about 30 days. The inventory level of production materials at Hao Cheng is kept at a level sufficient to meet the production requirements for a period of about 30 days and there is no inventory of production materials was kept at Changchun Dihao as the production materials are provided by the GBT Group on a continual basis. The following table sets out the inventory positions of the Group as at the indicated balance sheet dates have been extracted from the accountants' report on the Group set out in appendix I to this prospectus.

	As at 31 December			As at
	2004	2005	2006	31 March
	HK\$'000	HK\$'000	HK\$'000	2007 HK\$'000
Production materials	27,007	19,037	41,987	37,172
Work-in-progress	432	1,763	1,467	1,102
Finished goods	<u>14,915</u>	<u>12,566</u>	<u>25,592</u>	<u>28,552</u>
	<u>42,354</u>	<u>33,366</u>	<u>69,046</u>	<u>66,826</u>

The increase in inventory of the Group was due to (i) the increase in turnover during the Track Record Period, which required more inventories to cope with the increasing demand for Global Sweeteners Group's products; and (ii) the increase in product assortment offered by the Group. The relatively lower inventory level at the end of 2005 and 2006 as compared with the sale volume recorded for the respective year represented improvement in inventory management practised by the Group after the acquisition of Changchun Dihao.

Inventories of the Group amounted to about HK\$42.4 million, HK\$33.4 million, HK\$69.0 million and HK\$66.8 million as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively, of which about 98.1%, 92.4%, 93.5% and 97.8% of them aged within a period of three months from the respective year end date. As at 30 April 2007, about HK\$66.5 million out of the HK\$69.0 million worth of inventories as at 31 December 2006 were being utilised and about HK\$61.2 million out of the HK\$66.8 million worth of inventories as at 31 March 2007 were being utilised.

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The following table sets out the turnover of the Group's inventories for the periods indicated:

	<b>Year ended 31 December</b>				<b>Three months ended 31 March</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventory turnover days ( <i>Note</i> )	32.3	22.6	21.7	22.5	

*Note:* Inventory turnover days equals the average of the opening and ending gross inventory balances of the year or period divided by the purchases for the corresponding year or period and then multiplied by 365 days or the number of days in the period incurring the purchases.

The inventory turnover days had shortened from about 32.3 days for the year ended 31 December 2004 to about 22.6 days for the year ended 31 December 2005 and was maintained at the similar level for the year ended 31 December 2006 and the three months ended 31 March 2007, mainly due to more stringent inventory management adopted by the Global Sweeteners Group by decreasing the inventory level of finished goods and the increasing demand for corn sweeteners during the Track Record Period. This can also be attributed to the strategic choices of location for the production facilities which allow the Global Sweeteners Group to reduce its inventory level of production materials.

### TRADE AND OTHER RECEIVABLES

#### Trade receivables

Trade receivables of the Group, which represents balances owing to the Group by customers who are Independent Third Parties, experienced rapid growth during the Track Record Period as the sales volume and unit selling prices of the products of the Global Sweeteners Group, on average, have increased. Balances arose from sales made by the Global Sweeteners Group to members of the GBT Group are recorded as amounts due from fellow subsidiaries. The following table sets forth a summary of the aging analysis of the net amounts of trade receivables of the Group recorded during the Track Record Period:

#### Aging analysis

	<b>2004</b>		<b>As at 31 December 2005</b>				<b>2006</b>		<b>As at 31 March 2007</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Within 3 months	49,928	79.6	56,915	82.8	91,197	93.0	118,607	88.9		
Over 3 months but less than 6 months	12,530	20.0	10,785	15.7	5,268	5.4	13,487	10.1		
Over 6 months but less than 1 year	265	0.4	736	1.1	1,453	1.5	1,321	1.0		
Over 1 year	10	0.0	288	0.4	188	0.1	—	—		
Total	<u>62,733</u>	<u>100.0</u>	<u>68,724</u>	<u>100.0</u>	<u>98,106</u>	<u>100.0</u>	<u>133,415</u>	<u>100.0</u>		



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Credit terms, ranging from nil to 90 days, are granted to customers, depending on the credit worthiness of and business relationship with each customer. Up to 30 April 2007, about HK\$80.9 million and 79.0 million of the trade receivables outstanding as at 31 December 2006 and 31 March 2007 had been settled.

Out of the amounts due from fellow subsidiaries in the amount of about HK\$8.3 million, HK\$263.0 million, HK\$351.4 million and HK\$361.7 million, about HK\$8.3 million, HK\$263.0 million, HK\$334.6 million and HK\$343.6 million represented the trade nature portion as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. The following table sets out the aging analysis of such trade nature portion of amounts due from fellow subsidiaries and the total amounts due from fellow subsidiaries as at each balance sheet date during the Track Record Period:

	2004		As at 31 December 2005		2006		As at 31 March 2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Trade nature								
Amounts due from fellow subsidiaries								
Within 3 months	8,282	100.0	132,216	50.3	186,256	55.6	275,894	80.3
Over 3 months but less than 6 months	—	—	98,357	37.4	111,754	33.4	12,236	3.6
Over 6 months but less than 1 year	—	—	6,709	2.5	3,940	1.1	—	—
Over 1 year	—	—	25,679	9.8	32,680	9.8	55,485	16.1
<b>Total</b>	<b>8,282</b>	<b>100.0</b>	<b>262,961</b>	<b>100.0</b>	<b>334,630</b>	<b>100.0</b>	<b>343,615</b>	<b>100.0</b>
Total amounts due from fellow subsidiaries	<u>8,282</u>		<u>262,977</u>		<u>351,396</u>		<u>361,658</u>	

As at 31 July 2007, about HK\$236.7 million out of the HK\$343.6 million of such trade nature receivables from the fellow subsidiaries as at 31 March 2007 as mentioned above have been received by the Group.

### Debtors' turnover days

The following table sets out the turnover of the Group's trade receivables (including the trade nature portion of the amount due from fellow subsidiaries) for the periods indicated:

	Year ended 31 December			Three months ended
	2004	2005	2006	31 March 2007
Debtors' turnover days ( <i>note</i> )	74.0	90.6	123.3	123.0

*Note:* Debtors' turnover days equals the average of the opening and ending aggregate amount of gross trade receivables and the trade nature portion of the amount due from fellow subsidiaries of the year or period for sales of corn sweeteners divided by the revenue for the corresponding year or period and then multiplied by 365 days or the number of days in the period generating the revenue. The trade nature portion of the amount due from fellow subsidiaries for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 amounted to about HK\$8.3 million, HK\$263.0 million, HK\$334.6 million and HK\$343.6 million respectively.

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Debtors' turnover days were about 74.0 days, 90.6 days, 123.3 days and 123.0 days during each of the three years ended 31 December 2006 and the three months ended 31 March 2007. The increase in debtors' turnover days for the year ended 31 December 2005 and 2006 were mainly attributable to sales made to the GBT Group, which were granted for a relatively longer credit period of about 90 to 180 days, settled the receivables over a longer period as compared with other customers in the years.

Based on the aging and debtors' turnover analysis for trade receivables (including the trade nature portion of the amount due from fellow subsidiaries) during the Track Record Period, the repayment history of the relevant debtors, settlements subsequent to the respective year or period end dates, and the management's knowledge of the financial position of the debtors, the Group had a provision of about HK\$4.9 million for impairment on trade receivables as at 31 March 2007 and the Directors consider that no further provision is required to be made.

### Prepayments, deposits and other receivables

The following table sets out the breakdown of the Group's other receivables as at the dates indicated:

	As at 31 December			As at
	2004	2005	2006	31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deductible input value-added taxes	—	2,408	9,956	11,104
Deposits made to suppliers	5,793	2,052	5,501	2,903
Value-added taxes receivables	470	691	1,801	3,089
Others	<u>2,245</u>	<u>2,623</u>	<u>4,671</u>	<u>5,853</u>
Total	<u>8,508</u>	<u>7,774</u>	<u>21,929</u>	<u>22,949</u>

The increase in deductible input value-added taxes, from about HK\$2.4 million as at 31 December 2005 to about HK\$10.0 million and HK\$11.1 million as at 31 December 2006 and 31 March 2007 respectively, was mainly a result of the addition of fixed assets by CDNP and Dihao Crystal during these two years.

Deposits made to suppliers, mainly represented advances to suppliers for the purchases of raw materials, production accessories and consumables as well as deposits made to transportation companies, amounted to about HK\$5.8 million, HK\$2.1 million, HK\$5.5 million and HK\$2.9 million respectively as at 31 December 2004, 2005 and 2006 and 31 March 2007. The decrease in the balance as at 31 December 2005 was mainly due to the deduction of deposits made to one of the suppliers of the Group for the purchase of corn starch while the increase in 2006 was mainly due to the deposits paid for purchase of production materials and other materials to meet the expanding production scale of the Group. The lower balance recorded as at 31 March 2007 reflects the generally lower sales and therefore production volume in the first quarter of a year.

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### TRADE AND OTHER PAYABLES

#### Trade payables

Trade payables is a relatively small component among the Group's current liability items although it had been on an increasing trend during the Track Record Period as the Global Sweeteners Group's operations grew in size. These trade payable amounts represent mainly trade balances of the Group owing to third party suppliers for the purchase of production materials and other consumables used. Payable amounts in relation to purchase of corn starch and any other supplies from the GBT Group were recorded as amounts due to fellow subsidiaries. The following table sets forth a summary of the aging analysis of the trade payables of the Group (excluding the payable amounts in relation to purchase of corn starch and any other supplies from the GBT Group) recorded as at each balance sheet date during the Track Record Period:

#### Aging Analysis

	2004		As at 31 December 2005		2006		As at 31 March 2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Within 3 months	11,790	80.1	11,181	60.2	14,431	74.5	14,225	71.9
Over 3 months but less than 6 months	1,763	12.0	4,552	24.5	1,111	5.7	2,312	11.7
Over 6 months but less than 1 year	1,071	7.3	2,834	15.3	1,487	7.7	1,068	5.4
Over 1 year	86	0.6	2	0.0	2,348	12.1	2,184	11.0
Total	<u>14,710</u>	<u>100.0</u>	<u>18,569</u>	<u>100.0</u>	<u>19,377</u>	<u>100.0</u>	<u>19,789</u>	<u>100.0</u>

During the Track Record Period, trade payables of the Group (excluding the payable amounts in relation to purchase of corn starch and any other supplies from the GBT Group) increased gradually mainly as a result of the addition of CDNP and the expanded sales volume of the Group which corresponded with increases in cost of sales and other costs and expenses.

The Group settled about HK\$13.1 million out of the trade payables outstanding of about HK\$19.4 million as at 31 December 2006 during the period from 1 January 2007 to 30 April 2007 and about HK\$9.7 million out of the trade payables outstanding of about HK\$19.8 million as at 31 March 2007 have been settled by the Group as at 30 April 2007.

#### Creditors' turnover days

The following table sets out the turnover of the Group's trade payables for the years indicated:

	Year ended 31 December			Three months ended 31 March
	2004	2005	2006	2007
Creditors' turnover days <sup>(Note)</sup>	89.4	80.6	69.2	47.5

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*Note:* Creditors' turnover days equals the average of the opening and ending aggregate amount of trade payables and the trade nature portion of the amount due to fellow subsidiaries of the year or period for purchases of corn starch divided by the purchases for the corresponding year or period and then multiplied by 365 days or the number of days in the period incurring the purchases. The trade nature portion of the amount due to fellow subsidiaries for each of the three years ended 31 December 2006 and the three months ended 31 March 2007 were HK\$93.8 million, 143.1 million, HK\$152.0 million and HK\$105.3 million respectively.

After adjusting the calculation to include the trade nature portion of the amount due to fellow subsidiaries for the purchase of corn starch as at the respective balance sheet dates, the creditors' turnover days during the three years ended 31 December 2006 and the three months ended 31 March 2007 were about 89.4 days, 80.6 days, 69.2 days and 47.5 days. The creditors' turnover days continued to decrease throughout the Track Record Period as the Group's trade payables maintained at a similar level while the total purchases of the Group continue to increase during such period.

### Other payables

Other payables and accruals of the Group amounted to about HK\$22.6 million, HK\$42.1 million, HK\$56.1 million and HK\$53.3 million as at 31 December 2004, 2005 and 2006 and 31 March 2007, which mainly comprised customer advances, payable for value-added taxes, accrual for purchase of fixed assets and other accruals. Customer advances represent prepayment made by customers of the Global Sweeteners Group before the delivery of their purchases. The Global Sweeteners Group may require customers to pay in advance instead of granting its customers with credit periods. Prepayments by customers amounted to about HK\$9.8 million, HK\$15.1 million, HK\$22.5 million and HK\$22.4 million, represented the largest component of other payables and accruals as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. Such increase was in line with the increase in business volume of the Global Sweeteners Group.

The following table sets out the breakdown of the Group's other payables for the periods indicated:

	As at 31 December			As at
	2004	2005	2006	31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customers advances	9,782	15,126	22,477	22,391
Payable for value-added taxes	2,758	11,813	11,151	12,578
Payables for purchase of fixed assets	—	4,561	13,501	9,809
Accrued welfare	3,782	2,265	5,079	5,852
Others	<u>6,250</u>	<u>8,327</u>	<u>3,922</u>	<u>2,641</u>
Total	<u><u>22,572</u></u>	<u><u>42,092</u></u>	<u><u>56,130</u></u>	<u><u>53,271</u></u>

Customers advances, represent those deposits and receipts received in advance from customers who have placed orders before the respective year end, increased from about HK\$9.8 million as at 31 December 2004 to about HK\$22.5 million as at 31 December 2006 and HK\$22.4 million as at 31 March 2007. The Directors believe that the increase in customer advances was mainly due to the advance payments by customers of the Group for securing their corn sweeteners purchases to meet their consumption resulting from the increase in demand for sugar during the Track Record Period.

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Payables for value-added taxes substantially increased from about HK\$2.8 million as at 31 December 2004 to about HK\$11.8 million as at 31 December 2005 and remained stable at about HK\$11.2 million as at 31 December 2006 and about HK\$12.6 million as at 31 March 2007. The increase in value-added taxes was mainly due to the increase in sales volume and revenue of the Group as a result of the acquisition of Changchun Dihao which increased the production capacity of the Global Sweeteners Group and the increase in demand for its products.

Payables for purchase of fixed assets amounted to about HK\$4.6 million, mainly represent the amount payable for the purchase of machineries for CDNP, and about HK\$13.5 million, mainly represent the amounts payable for the purchase of machineries for Dihao Crystal, and about HK\$9.8 million, as at 31 December 2005 and 31 December 2006 and 31 March 2007, respectively.

### FOREIGN EXCHANGE EXPOSURE

Although the Group's operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation and that there will be sufficient cash resources denominated in Hong Kong dollars for future dividends, if any. During the Track Record Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at the Latest Practicable Date.

### AMOUNTS DUE FROM AND DUE TO MEMBERS OF THE GBT GROUP

#### Amounts due from members of the GBT Group

Amounts due from members of the GBT Group include amounts due from the immediate holding company, namely Global Corn Bio-chem, and other fellow subsidiaries of the Group. The amount of HK\$21.1 million due from Global Corn Bio-chem arose as a result of the accounting entry to offset the difference between the acquisition cost of Hao Cheng by the Global Sweeteners Group from the GBT Group as part of the result of an internal restructuring in 2001 and the consideration paid for such acquisition. At the time of the internal restructuring, the Global Sweeteners Group acquired the 100% equity interest of Hao Cheng for a consideration of about HK\$41.7 million, representing the net asset value of Hao Cheng as at the date of the acquisition. The original investment cost of Hao Cheng contributed by members of the GBT Group was HK\$20.6 million. The difference of about HK\$21.1 million, represented the retained profit of Hao Cheng since its establishment, which was recorded in the account of the Group as an amount due from members of the GBT Group. Amounts due from fellow subsidiaries were about HK\$8.3 million, HK\$263.0 million, HK\$351.4 million and HK\$361.7 million as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. The amount due from fellow subsidiaries of the Group increased during the two years ended 31 December 2005 and 31 December 2006 as a result of increasing sale of corn sweeteners to the GBT Group during the Track Record Period.

The GBT Group purchased about 286,000 tonnes, 329,000 tonnes and 91,000 tonnes of corn sweeteners from the Global Sweeteners Group for the two years ended 31 December 2006 and the three months ended 31 March 2007, respectively as the GBT Group commenced its production of one of its downstream products (namely, lysine). Only minimal amount of these inter-group balances arose from activities other than of a trading nature during the Track Record Period. The Directors confirm that all amounts due from members of the GBT Group will be settled prior to the Listing.

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### Amounts due to members of the GBT Group

Amounts due to members of the GBT Group include amounts due to the ultimate holding company, namely GBT, Global Corn Bio-chem and other fellow subsidiaries of the Group. The aggregate amounts due to the GBT Group by the Group were about HK\$379.9 million, HK\$649.1 million, HK\$645.0 million and HK\$618.3 million as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively. The outstanding balance as at 31 December 2004 mainly resulted from the acquisition of the 75% interests in Changchun Dihao and the establishment of other members of the Global Sweeteners Group while the increases in 2005 was principally attributable to financial assistance received from GBT and Global Corn Bio-chem for the acquisition of the remaining interests in Changchun Dihao and capital expenditures in relation to the expansion of production capacity of Changchun Dihao and the capital investment for CDNP in anticipation of its commercial production during 2005. Such amount decreased slightly in 2006 and the first quarter in 2007 by about HK\$4.1 million and HK\$26.7 million mainly because of settlement of part of the non-trade nature amounts due to fellow subsidiaries by the Global Sweeteners Group.

As the Global Sweeteners Group sourced most of its production materials from the GBT Group and recorded such amounts under “amounts due to fellow subsidiaries”, the table below sets forth a summary of the aging analysis of amounts due to fellow subsidiaries which are of trade nature and the total amounts due to fellow subsidiaries as at each balance sheet date during the Track Record Period:

	2004		As at 31 December 2005		2006		As at 31 March 2007	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Trade nature								
Amounts due to fellow subsidiaries								
Within 3 months	67,098	71.6	121,009	84.6	111,569	73.4	58,867	55.9
Over 3 months but less than 6 months	26,658	28.4	19,923	13.9	11,813	7.8	14,701	14.0
Over 6 months but less than 1 year	—	—	—	0.0	26,375	17.3	511	0.5
Over 1 year	—	—	2,136	1.5	2,241	1.5	31,225	29.6
<b>Total</b>	<b>93,756</b>	<b>100.0</b>	<b>143,068</b>	<b>100.0</b>	<b>151,998</b>	<b>100.0</b>	<b>105,304</b>	<b>100.0</b>
Total amounts due to fellow subsidiaries	<u>147,545</u>		<u>199,850</u>		<u>193,720</u>		<u>167,025</u>	

As at 31 July 2007, about HK\$46.9 million, out of the total of about HK\$105.3 million of such trade nature payables due to the fellow subsidiaries as at 31 March 2007 have been settled by the Group.

The remaining amount as at each balance sheet mainly resulted from internal fund transfer among the GBT Group.

The Directors confirm that such amount due to members of the GBT Group will be settled prior to the Listing.

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### CONSOLIDATED CASH FLOW

The following table summarises the consolidated cash flows of the Group for the years indicated:

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	41,340	(50,447)	65,343	77,620	(44,592)
Net cash outflow from investing activities	(109,436)	(212,340)	(70,322)	(12,328)	(21,895)
Net cash inflow/(outflow) from financing activities	<u>302,330</u>	<u>30,469</u>	<u>(21,678)</u>	<u>(29,877)</u>	<u>63,685</u>
Net cash inflow/(outflow)	234,234	(232,318)	(26,657)	35,415	(2,802)
Cash and cash equivalents at the beginning of the year	64,074	298,308	66,146	66,146	43,153
Effect of foreign exchange rate changes, net	<u>—</u>	<u>156</u>	<u>3,664</u>	<u>3,260</u>	<u>7,329</u>
Cash and cash equivalents at the end of year/period	<u><u>298,308</u></u>	<u><u>66,146</u></u>	<u><u>43,153</u></u>	<u><u>104,821</u></u>	<u><u>47,680</u></u>

During the Track Record Period, the Group financed its working capital and capital expenditure requirements principally through net cash flow from operating activities, bank borrowings and amounts due to related parties. As at 31 December 2006 and 31 March 2007, the Group had cash and cash equivalents of about HK\$43.2 million and HK\$47.7 million respectively. Cash generated from operations, when not used for working capital purposes, is held principally in the form of short-term and demand deposits with banks.

#### Operating activities

The Group's net cash inflow from operating activities decreased from about HK\$41.3 million for the year ended 31 December 2004 to a net cash outflow of about HK\$50.4 million for the year ended 31 December 2005 and then increased back to a net cash inflow of about HK\$65.3 million for the year ended 31 December 2006. For the three months ended 31 March 2006 and 2007, the Group had a net cash inflow and a net cash outflow from operating activities of about HK\$77.6 million and HK\$44.6 million respectively.

The drop in operating cash flow in 2005 was mainly as a result of the sales of about HK\$378.1 million worth of corn sweeteners to the GBT Group by the Group after its acquisition of Changchun Dihao (an increase of about HK\$372.0 in the sales to the GBT Group as compared to the previous year), which also led to an increase in amount due from fellow subsidiaries of about HK\$254.7 million. In addition, the increase in trade receivables and amounts due from jointly-controlled entities also contributed to such net cash outflow from operating activities of the Group for 2005.

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## FINANCIAL INFORMATION

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For the year ended 31 December 2006, net cash flow from operating activities increased to about HK\$65.3 million, as the trading portion of the amounts due from fellow subsidiaries increased by about HK\$71.7 million (sales to fellow subsidiaries increased by about HK\$81.6 million, from about HK\$378.1 million in 2005 to about HK\$459.7 million in 2006) and the profit before tax increased by about HK\$69.5 million in 2006 as compared to 2005.

For the three months ended 31 March 2007, the Group had a net cash outflow from operating activities of about HK\$44.6 million which was mainly due to increase in trade receivables resulted from sales of the Global Sweeteners Group and a decrease in amounts due to fellow subsidiaries as the Group settled the balances owing to the GBT Group for its purchases.

In light of the fluctuation of cash flow from operating activities during the Track Record Period, the Directors intend to strengthen the cash flow of the Group by adopting a more stringent credit policy to shorten the debtors collection days in respect of corn sweeteners sold to the GBT Group upon the Listing which are expected to be subject to a credit period of no more than 60 days after the date of the relevant invoice issued by the Group, which is in line with other customers of the Group. Further, the Group intends to limit its sales to the GBT Group to no more than 20% of its sales for each of the three years ended 31 December 2009 by diversifying to other customers which generally have shorter credit periods compared with that of the GBT Group during the Track Record Period. During the Track Record Period, the Global Sweeteners Group has made settlement on the trade nature portion of amount due to fellow subsidiaries in a quicker pace than collection from the GBT Group on the trade nature portion of amount due from fellow subsidiaries as the Global Sweeteners Group was part of the GBT Group prior to the Reorganisation and such arrangement was in line with the overall financial management of the GBT Group.

### **Investing activities**

Net cash outflow from investing activities in both 2005 and 2006 mainly comprised cash used for establishing new production facilities, purchase of additional machinery and equipment and acquisition of Changchun Dihao in 2005 and establishment of Dihao Crystal in 2006. Further cash outflow incurred for the three months ended 31 March 2007 as the Group settled its purchases for property, plant and equipment in relation to Dihao Crystal.

Net cash outflow from investing activities increased from about HK\$109.4 million for the year ended 31 December 2004 to about HK\$212.3 million for the year ended 31 December 2005 and then decreased to about HK\$70.3 million for the year ended 31 December 2006. The increase in 2005 was resulted from capital expenditures incurred for expansion of the Global Sweeteners Group for the establishment of the production facilities of CDNP and capacity expansion of Changchun Dihao. The decrease in 2006 represented a smaller amount of capital expenditure required for the construction and setup of the production facilities of Dihao Crystal. The net cash outflow from investing activities totalled about HK\$21.9 million for the three months ended 31 March 2007 as compared with about HK\$12.3 million for the corresponding period in 2006.

### **Financing activities**

Net cash inflow from financing activities decreased from about HK\$302.3 million for the year ended 31 December 2004 to an outflow of about HK\$21.7 million for the year ended 31 December 2006 and then bounced back to an inflow of about HK\$63.7 million for the three months ended 31 March 2007.



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In 2004, the Group increased its bank and other loans by about HK\$172.3 million for the acquisition and expansion of production capacity of Changchun Dihao while the amount due to ultimate holding company also increased by about HK\$93.9 million. These two aforementioned factors led to the substantial portion of net cash inflow from financing activities of the Group for the year.

In 2005, the net cash inflow from financing activities of the Group only increased by about HK\$30.5 million as the magnitude of net increase in bank and other loans was relatively smaller, in the amount of about HK\$23.9 million, as opposed to the previous year of about HK\$158.2 million. In addition, the increase in an amount due to ultimate holding shareholder of about HK\$36.6 million was able to offset the effect from the decrease in an amount due to a minority shareholder as a result of the acquisition of Changchun Dihao. As a result, the increase in net cash inflow from financing activities of the Group was much lower than that of the previous year.

In 2006, the Group utilised new bank and other loans of about HK\$72.5 million while on the other hand, repaid about HK\$51.0 million of bank and other loans and paid about HK\$13.4 million of interest expenses. In addition, amounts due from fellow subsidiaries increased by about HK\$16.8 million and the Group also settled about HK\$15.1 million of its amounts due to fellow subsidiaries. These aforementioned factors led to the net cash outflow from financing activities of the Group for the year.

In the first quarter of 2007, the Group had net cash inflow of about HK\$63.7 million from financing activities which were mainly due to a HK\$20.0 million advance received from a fellow subsidiary of the GBT Group and new bank and other loans of HK\$60.0 million obtained by the Group while a repayment of about HK\$11.6 million had been made.

### FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the Latest Practicable Date, the Group has funded its operations principally from cash generated from operations, bank borrowings and amounts due to the GBT Group. The majority of the Group's bank borrowings are long term loans with maturities over one years. Amounts due to the GBT Group include amounts due to GBT and Global Corn Bio-chem, which are mainly in the nature of long-term financing, and amounts due to fellow subsidiaries principally resulted from trading activities. While majority of the amounts due to fellow subsidiaries can practically be covered by the amounts due from fellow subsidiaries arose from sales to other members of the GBT during the Track Record Period, the liquidity of the Global Sweeteners Group could be affected to the extent that whether the Global Sweeteners Group can successfully market its products and induce sufficient demand for replacing the sales it made with the GBT Group as the Global Sweeteners Group has progressively lowered the amount of its sales to the GBT Group.

#### Net current liabilities

As at 31 March 2007, the Group had net current liabilities of about HK\$135.7 million. As at 31 March 2007, amounts due from the GBT Group amounted to about HK\$382.7 million while amounts due to the GBT Group amounted to about HK\$618.3 million, a net difference of about HK\$235.6 million. As at 31 July 2007, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, the Group had net current liabilities of about HK\$29.6 million based on the unaudited consolidated management accounts of the Group. Current assets mainly comprised cash and cash equivalents of about HK\$115.6 million, inventories of about HK\$60.3 million, trade receivables of about HK\$224.0 million, prepayments, deposits and other receivables of about HK\$30.6 million, and amounts due from Global Corn Bio-chem and other

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fellow subsidiaries of about HK\$21.1 million and HK\$213.5 million respectively. Current liabilities mainly comprised trade payables of about HK\$44.9 million, other payables of about HK\$38.3 million, bank borrowings of about HK\$75.0 million and amounts due to the GBT Group of about HK\$545.1 million. The Directors expect that, as a result of the settlement of the aforementioned net difference of about HK\$235.6 million upon the Listing, the Group's net current liabilities position would be improved to a net current asset position.

The Global Sweeteners Group had relied on advances from holding companies and due to fellow subsidiaries of the Group to finance its expansion and business growth. In particular, during 2005, the Global Sweeteners Group continued to use advances from GBT and Global Corn Bio-chem, in addition to its bank borrowings, to finance its acquisition of Changchun Dihao and other capital expenditures, which was partly offset by increase in amount due from fellow subsidiaries in 2006 as the Global Sweeteners Group supplied more of its products to the GBT Group. Accordingly, the Group had recorded net current liabilities of about HK\$35.5 million, HK\$278.8 million, HK\$212.7 million and HK\$135.7 million at the end of each of the balance sheet dates during the Track Record Period.

In October 2004, the Global Sweeteners Group acquired 75% of the equity interests in Changchun Dihao for a consideration of about HK\$127.5 million. Besides, capital expenditures of the amount of about HK\$98.8 million on property, plant and equipment, principally construction in progress, were made by the Global Sweeteners Group, mainly for the planned capacity expansion of Changchun Dihao and the establishment of CDNP which were both completed in 2005. A significant amount of cash was also held by the Global Sweeteners Group for settling the remaining payables in relation to such expansion after the year end. The acquisitions and capital expenditures were mainly financed by amounts due to ultimate holding company, which led to an increase in net current liabilities, and long term bank borrowings of the Global Sweeteners Group. In addition, an amount due to the minority shareholder of Changchun Dihao, representing unsettled balances owing to and additional capital contributed by such minority Shareholders in 2004, also contributed to the net current liabilities of the Group.

In 2005, the Global Sweeteners Group incurred capital expenditure for an additional HK\$216.1 million worth of property, plant and equipment mainly in relation to the aforementioned capacity expansion of Changchun Dihao and completion of the establishment of CDNP, which were principally financed by loans from GBT and Global Corn Bio-chem. As a result, there was a further increase in the net current liabilities in 2005.

The increase in amounts due to fellow subsidiaries in 2005 was principally attributable to purchases of corn starch from other members of the GBT Group, which was commensurate with the increase in the Global Sweeteners Group's business volume. As the Global Sweeteners Group further ramp up its volume and sales of glucose syrup to members of the GBT Group, increases in amounts due from fellow subsidiaries have outpaced increases in the amounts due to fellow subsidiaries and the Global Sweeteners Group was able to finance the establishment of Dihao Crystal without assistance from the GBT Group. Related parties of the Group have generally granted to each other credit terms which are longer than those granted to Independent Third Parties, resulting in relatively higher debtors' or creditors' turnover days. As at 31 December 2005 and 2006, amounts due to fellow subsidiaries of the Group had remained as the second most significant current liabilities of the Group while its magnitude had further decreased as at 31 March 2007 and became smaller than the amount due to Global Corn Bio-chem.

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The Group anticipates its operating cash flow will be improved as its business continues to grow and will gradually reduce its short term borrowings. On 4 September 2007, the Global Sweetener Group obtained a banking facility in the amount of HK\$300.0 million for settling the amounts due to the GBT Group. Following the Listing, the Group will seek to balance its financing structure with appropriate long-term borrowings to support its long-term growth. At the same time as the Group lowers the quantity of glucose supplied to the GBT Group, it has made efforts to tightened the credit terms granted to these related parties and pursued for settlements of their outstanding balances. With the Group's effort to secure more long-term borrowings, together with the tightened credit terms and the estimated profit attributable to the Company for the period from 1 January 2007 to 31 July 2007, the Directors are confident that the Group's financial position will be improved. Accordingly, the Directors are of the view that the Group has sufficient working capital and financial resources to support the Group's business operations.

### Borrowings and banking facilities

The Global Sweeteners Group generally funds its operations with cash generated from operations, bank borrowings and amounts due to related parties. Details of bank loans, all secured, and other loan as well as their maturities are set out below:

	As at 31 December			As at
	2004	2005	2006	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2007</i>
				<i>HK\$'000</i>
Within 1 year or on demand	18,167	37,587	100,100	99,970
Between 1 year but within 2 years	—	43,240	117,647	120,000
Between 2 years but within 5 years	<u>154,178</u>	<u>115,385</u>	<u>—</u>	<u>50,000</u>
	<u>172,345</u>	<u>196,212</u>	<u>217,747</u>	<u>269,970</u>

The bank borrowings of the Group due within one year or on demand increased from about HK\$37.6 million as at 31 December 2005 to about HK\$100.1 million as at 31 December 2006 was mainly attributable to the increase of a loan of about RMB25.0 million and the reclassification of a long-term bank borrowing of about HK\$41.0 million from due between one year but within two years to due within one year or on demand. Such outstanding loan amount was maintained at similar level as at 31 March 2007.

Certain bank borrowings of about HK\$13.2 million and HK\$13.0 million, as at 31 December 2004 and 2005 respectively were secured by pledges over the leasehold buildings and machinery of the Global Sweeteners Group with an aggregate attributable carrying value of about HK\$13.2 million and HK\$13.0 million as at 31 December 2004 and 2005 respectively. No such pledges were made as at 31 December 2006 and 31 March 2007.

The bank borrowings of outstanding balances totalling about HK\$169.3 million, HK\$182.7 million, HK\$171.5 million and HK\$255.0 million, as at 31 December 2004, 2005 and 2006 and 31 March 2007 respectively were cross-guaranteed by the GBT Group. Agreements in principle to release the above cross-guarantees upon the Listing have been obtained from the relevant banks and the cross-guarantee will be released accordingly.

All bank borrowings are denominated in RMB and bear interest at rates ranging from 5.31% per annum to 6.44% per annum during the relevant years.

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The carrying amounts of current borrowings approximate their fair value.

As at 31 July 2007, the details of banking facilities of the Group and the portion of the banking facilities of the Jointly-controlled Entities attributable to the Group are as follows:

	<b>Amount</b> <i>HK\$'000</i>
Banking facilities available to the Group	<u>260,970</u>
Representing:	
— Utilised banking facilities	<u>260,970</u>
— Unutilised banking facilities	<u>—</u>

During the year ended 31 December 2006, Hao Cheng received from one of its independent customer an aggregate sum of RMB25 million in the form of prepayment for the proposed bulk purchase of corn syrups in 2007. The purchase was subsequently cancelled and the full amount of such prepayment had been reclassified as borrowings repayable within one year of the Group as at 31 December 2006. By mutual agreement in January 2007 that the prepayment was to be repaid to the customer within six months without interest to the customer, and without compensation to Hao Cheng either. Such prepayment has been fully repaid by the Group in April and May 2007.

As advised by the legal advisors of the Company on PRC laws, the above arrangement may constitute an inter-enterprises financing activity and may contravene the applicable PRC laws and regulations. The arrangement is voidable under the applicable PRC laws and, according to judicial interpretations, if legal proceedings in respect of the arrangement are commenced and had the amount of prepayment remained outstanding, the court may order for the immediate repayment of the amount of prepayment in full. The court may impose a penalty on Hao Cheng for an amount equivalent to the interest chargeable by banks on the principal amount of the prepayment at its then prevailing interest rate, which is estimated to be not more than RMB750,000. As the full amount of such prepayment had been repaid, the Directors consider that the risk of any legal proceedings in respect of the arrangement is remote and it is unlikely that the Global Sweeteners Group will be subject to any fine by the court based on the advice obtained by the Global Sweeteners Group. However, the GBT Group has provided an indemnity to the Global Sweeteners Group in respect of the claims, damages, losses, costs and expenses arising from any contravention of the applicable PRC laws, rules and regulations in relation to such prepayment arrangement. Save as aforesaid, such contravention does not have any adverse impact on the legal subsistence of Hao Cheng.

As the Group has fully repaid such prepayment before the expiry of the agreed period, the Directors consider that the risk of any legal proceedings in respect of the arrangement is remote and the Group will not be subject to any fine by the court based on the advice provided by the legal advisors of the Company on PRC laws. In any event, GBT has provided an indemnity in favour of the Group in respect of any loss and liability that may be suffered by the Group as a result of the above contravention, details of which are set out in the paragraph headed “Estate duty, tax and other indemnities” in appendix V to this prospectus.

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## FINANCIAL INFORMATION

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### Capital expenditures

The following table summarises the capital expenditures of the Global Sweeteners Group during the Track Record Period:

	Year ended 31 December			Three months ended
	2004	2005	2006	31 March 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	<u>98,838</u>	<u>216,126</u>	<u>84,582</u>	<u>22,052</u>

The increasing capital expenditures in 2005 was mainly due to the expenditures incurred for building production plants and purchases of production machinery in order to increase production capacities and product varieties of the Global Sweeteners Group. About HK\$173.9 million and HK\$3.0 million for each of the two years ended 31 December 2005 and 2006, subsequent to the acquisition of Changchun Dihao, were contributed by the Global Sweeteners Group for additional property, plant and equipment for expansion of the production capacity of Changchun Dihao while about HK\$71.0 million was contributed in the capital expenditures for the establishment of Dihao Crystal.

As at 31 March 2007, the Group's capital commitments amounted to about HK\$4.4 million. The Group will use its internal resources and/or obtain additional banking facilities to satisfy such commitments before the end of 2007.

The Global Sweeteners Group's business is, to a significant extent, capital intensive and continuous investment in leasehold land and property, plant and equipment is crucial to the growth of the Global Sweeteners Group.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### DIVIDEND POLICY, WORKING CAPITAL AND DISTRIBUTABLE RESERVES

#### Dividend policy

Declaration of dividends will be subject to the discretion of the Directors, depending on the results, working capital, cash positions and capital requirements of the Group. Under the applicable PRC law, each of the subsidiaries of the Company in the PRC may only distribute its after-tax profits after it has made allocations or allowances for (i) recovery of accumulated losses; (ii) allocations to the statutory common reserve fund; and (iii) allocations to a discretionary common reserve fund as may be approved by the Shareholders.

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Subject to the availability of cash and distributable reserves, investment requirements, and the cash flow and working capital requirements of the Group, it is the Directors' present intention to recommend annual distribution to the Shareholders of not less than 15% of the annual profits attributable to equity holders of the Company as dividends in the foreseeable future.

The declaration of dividends is subject to the absolute discretion of the Board and any final dividend for the year is subject to the approval of the Shareholders. The amounts of dividends actually distributed to the Shareholders will be subject to the absolute discretion of the Board and will depend upon a number of factors, including but not limited to availability of the Company's cash and distributable reserves, investment requirements, and the cash flow and working capital requirements of the Group and any factors considered thought fit by the Board.

### Working capital

The Directors are of the opinion that, taking into account the financial resources available to the Group including internally generated funds, the available banking facilities and the estimated net proceeds from the issue of Shares under the Share Offer, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this prospectus.

### Distributable reserves

The Company was incorporated in the Cayman Islands on 13 June 2006. There were no reserves available for distribution to the Shareholders as at 31 March 2007, being the latest practicable date for the purpose of the disclosure of balance sheet items.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 31 March 2007 included in appendix I to this prospectus, and adjusted as follows:

	<b>Audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 March 2007 <i>HK\$'000</i></b>	<b>Less: goodwill as 31 March 2007 <i>HK\$'000</i></b>	<b>Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 1)</i></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets <i>HK\$'000</i></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Share <i>HK\$</i> <i>(Note 2)</i></b>
Based on the Offer Price of HK\$2.04 per Share (high-end)	406,018	(149,950)	568,000	824,068	0.82
Based on the Offer Price of HK\$1.57 per Share (low-end)	406,018	(149,950)	431,000	687,068	0.69

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*Notes:*

1. The estimated net proceeds from the offer of Shares are based on the Offer Price of HK\$1.57 and HK\$2.04 per Share, net of underwriting fees and other related expense. No account has been taken of the Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 1,000,000,000 Shares were in issue immediately following the Share Offer and the Capitalisation Issue but without taking into account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
3. With reference to the valuation of the leasehold land and buildings of the Group as set out in appendix III to this prospectus, the aggregate open market value of the leasehold land and buildings attributable to the Group as at 31 August 2007 was about RMB195.8 million. Pursuant to a confirmation obtained from the independent valuer, the balance comprises leasehold buildings of RMB145.8 million and prepaid land premiums of RMB50.0 million. The unaudited net book value of leasehold buildings and prepaid land premiums as at 31 August 2007 was about HK\$143.0 million and HK\$28.3 million, respectively. The revaluation surplus arising from the revaluation of the leasehold buildings accordingly is about HK\$2.8 million and has not been included in the above unaudited pro forma adjusted consolidated net tangible assets of the Group. If such revaluation surplus would be included to the financial statements of the Group, an additional depreciation charge of about HK\$56,000 per annum would be incurred. No revaluation surplus in respect of prepaid land premiums has been recorded in the financial statements of the Group as the Group's prepaid land premiums are stated at cost.
4. The payments for obtaining the land use rights are considered as prepaid land premiums and are accounted as operating lease in preparing the Group's financial statements in accordance with Hong Kong Financial Reporting Standards. The prepayments are charged to the Group's income statements over the period of respective lease terms using a straight line method. Accordingly, the payments are prepayments for future economic benefits to be used by the Group which are considered as tangible in nature.

### PROPERTY VALUATION

Savills Valuation and Professional Limited, an independent property valuer, has valued the property interests of the Group as at 31 August 2007. The text of the letter, summary of values and valuation certificate are set out in appendix III to this prospectus.

A reconciliation of the net book value of the relevant leasehold buildings and prepaid land premiums as at 31 March 2007 to their fair value as stated in appendix III to this prospectus is as follows:

	<i>HK\$ million</i>
Net book value at 31 March 2007:	
— Leasehold buildings and prepaid land premiums	<u>170.0</u>
Additions	3.6
Depreciation/amortisation for the five months ended 31 August 2007	<u>(2.3)</u>
Net book value at 31 August 2007	171.3
Valuation surplus	<u>24.5</u>
Valuation amount at 31 August 2007	<u><u>195.8</u></u>

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## FINANCIAL INFORMATION

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### INDEBTEDNESS

#### Borrowings

As at 31 July 2007, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this prospectus, the Group had bank borrowings of about HK\$261.0 million, comprising short-term bank loans of about HK\$75.0 million and long-term bank loans of about HK\$186.0 million. Of the total bank loans, about HK\$246.0 million was secured by the GBT Group. As at the latest practicable date for the purpose of this indebtedness statement, the amounts of the banking facilities of HK\$261.0 million have been fully utilised. Save as disclosed above and in this prospectus, as at the close of business on 31 July 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group did not have any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any hire purchase commitments, or any guarantees or other material contingent liabilities. The Directors confirmed that all guarantees from the GBT Group will be fully released upon the Listing.

#### Collateral

As at 31 July 2007, none of the secured bank loan was secured by property, plant and equipment of the Group.

#### Disclaimer

Save as disclosed in the paragraph headed “Indebtedness” above, at the close of business on 31 July 2007, the Group did not have any outstanding mortgages, charges, pledge, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

#### No material changes

The Directors have confirmed that there has been no material change in the indebtedness of the Group since 31 July 2007.

#### NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest financial statements of the Group were made up).



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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND PROSPECTS

The Global Sweeteners Group's objective is to strengthen its leading position in the corn sweetener market in the PRC.

As one of the largest corn sweetener producers in the PRC in terms of production capacity and production output in 2006, the Directors believe that it is of utmost importance for the Global Sweeteners Group to maintain its leading position in the market by expanding its production capacity, and at the same time, expand its sales network. In addition, the Directors believe that the continuous development of new applications of the Global Sweeteners Group's existing products is as important as the development of new products, both of which would strengthen the leading position of the Global Sweeteners Group.

In order to achieve the objective of the Global Sweeteners Group, the Directors intend to implement the following future plans:

#### Expansion of production capacity

The Directors intend to establish new production facilities at existing locations of the production facilities of the Global Sweeteners Group and other locations in the PRC with an ultimate goal to increase the production capacity of its corn sweeteners. The construction of such new production facilities will be undertaken by new subsidiaries of the Company or joint ventures with third parties. The following table sets out the expansion plan of the Global Sweeteners Group's production capacity:

Location of the new production facility	Major product(s)		Designed production capacity <i>(tonnes per annum)</i>	Expected capital expenditure <i>(HK\$ million)</i>	Expected date for commencement of construction	Expected date for commencement of commercial production
Jinzhou	Glucose syrup/Maltose syrup	Phase 1	200,000	100.0	October 2007	July 2008
	Crystallised glucose		100,000	50.0	April 2008	January 2009
Changchun	Maltodextrin	Phase 1	40,000	25.0	October 2007	July 2008
		Phase 2	60,000	30.0	March 2008	December 2008
	Glucose syrup/Maltose syrup	Phase 1	200,000	80.0	November 2008	August 2009
		Phase 2	200,000	80.0	March 2009	December 2009
	Crystallised glucose	Phase 2	200,000	55.0	October 2007	July 2008
HFCS		<i>(Note)</i> 200,000	140.0	February 2009	November 2009	

*Note:* In May 2006, Dihao Crystal was established to operate a production facility for the manufacture of crystallised glucose as the Group's phase 1 development of crystallised glucose production facilities in Changchun. It began production in November 2006 with a designed production capacity of 200,000 tonnes per annum.

The Directors estimate that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of each of the production facilities while the remaining amounts are expected to be settled within one year from the relevant commencement dates. The expansion plans of the Global Sweeteners Group will be principally financed by the proceeds from the Share Offer and the internal resources of the Global Sweeteners Group, and the Directors are of the view that the existing technology knowhow of the Global

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## FUTURE PLANS AND USE OF PROCEEDS

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Sweeteners Group is sufficient for such expansion. The Directors intend to establish new wholly owned subsidiaries or new joint ventures with third parties to undertake the construction of new production facilities to be constructed under the expansion plan.

### **Expansion of sales network**

In order to strengthen its leading position in the PRC market and in view of the proposed expansion of production capacity of the Global Sweeteners Group, the Directors intend to expand Global Sweeteners Group's sales and marketing teams in terms of both headcounts and coverage. In addition, the Directors plan to establish sales or representative offices in certain provinces of the PRC in order to achieve higher efficiency, provide better service to the customers and obtain more information of the local market to assist the management to respond to changes in market conditions. At present, the Directors intend to establish sales offices at Guangdong, Shanghai and Dalian in 2007 and employ about 10 personnel for each of these sales offices in order to broaden the customer base of the Global Sweeteners Group.

### **USE OF PROCEEDS**

Based on an Offer Price of HK\$1.805 per Offer Share (being the mid-point of the Offer Price range between HK\$1.57 and HK\$2.04 per Offer Share), the net proceeds of the Share Offer to be received by the Company, after deduction of related expenses and assuming the Over-allotment Option is not exercised, are estimated to be about HK\$499.5 million. The Directors intend to use such net proceeds in the following manners:

- as to about HK\$119.0 million for the construction of new production facilities in Jinzhou, including the acquisition of relevant land use rights, to be applied in the proportion of about 60% and 40% for the two years ending 31 December 2008;
- as to about HK\$214.0 million for the construction of new production facility in Changchun, including the acquisition of relevant land use rights, to be applied in the proportion of about 20% and 30% for the two years ending 31 December 2008 and about 50% for the year ending 31 December 2009 onwards;
- as to about HK\$117.0 million for the acquisition or construction of production facilities in relation to the expansion of the production capacity of the HFCS products of the Global Sweeteners Group, to be applied in the proportion of about 50% and 50% for the two years ending 31 December 2010; and
- as to about HK\$49.5 million as general working capital of the Group.

As at the Latest Practicable Date, no specific property has been acquired or proposed to be acquired by the Group for the construction of new production facilities.

Assuming an Offer Price of HK\$2.04 per Share (being the high-end of the stated range of the Offer Price between HK\$1.57 and HK\$2.04 per Share), the amount of additional net proceeds from the Share Offer to be received by the Company are estimated to be about HK\$68.5 million, of which the Directors intend to apply such additional net proceeds for repayment of the bank borrowings (the interest rates of such bank borrowings range from about 6.3% to 6.4% per annum and maturity ranges from about four to 16 months from the Latest Practicable Date) obtained by Changchun Dihao in 2004 for use in its expansion at the beginning of 2005.

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## FUTURE PLANS AND USE OF PROCEEDS

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Assuming an Offer Price of HK\$1.57 per Share (being the low-end of the stated range of the Offer Price between HK\$1.57 and HK\$2.04 per Share), the Directors intend that the respective amounts to be applied for each of the above purposes will remain unchanged except for the amount for acquisition or construction of production facilities for HFCS products and general working capital of the Group, which will be reduced by about HK\$34.0 million and HK\$34.5 million to about HK\$83.0 million and HK\$15.0 million respectively.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term interest-bearing deposits with financial institutions.

In the event that the Over-allotment Option is exercised in full, the Directors intend to apply the additional net proceeds from the Share Offer to be received by the Company of about HK\$77.0 million (assuming an Offer Price of HK\$1.805 per Offer Share (being the mid-point of the Offer Price range between HK\$1.57 and HK\$2.04 per Offer Share)) for repayment of the aforementioned bank borrowings of Changchun Dihao.

In the event that there are any material changes or modifications to the use of proceeds, an announcement will be made by the Company.

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## UNDERWRITING

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### UNDERWRITERS

#### Public Offer Underwriters

Goldbond Securities Limited  
DBS Asia Capital Limited  
BOCOM International Holdings Company Limited  
CCB International Capital Limited  
CIMB-GK Securities (HK) Limited  
Dao Heng Securities Limited  
Mitsubishi UFJ Securities (HK) Capital, Limited  
OSK Asia Securities Limited  
Shenyin Wanguo Capital (H.K.) Limited  
Taiwan Securities (Hong Kong) Company Limited

#### Placing Underwriters

Goldbond Securities Limited  
DBS Asia Capital Limited  
BOCOM International Holdings Company Limited  
CIMB-GK Securities (HK) Limited  
Mitsubishi UFJ Securities (HK) Capital, Limited  
Taiwan Securities (Hong Kong) Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering 300,000,000 Shares for subscription by the public in Hong Kong and placing to certain professional and/or institutional investors and/or other investors on and subject to the terms and conditions of this prospectus and the related application forms at the Offer Price. Subject to, among other conditions, (i) the granting of the listing of and permission to deal the Shares in issue and to be issued as mentioned in this prospectus by the listing committee of the Stock Exchange on or before 20 September 2007 (or such later date as Goldbond Securities (on behalf of the Underwriters) may determine but in any event shall be no later than 10 October 2007) and (ii) certain other conditions set out in the Underwriting Agreement (including the Company and Goldbond Securities (on behalf of the Underwriters) agreeing on the Offer Price), (a) the Public Offer Underwriters have severally agreed to procure applications for their respective applicable proportions of the Public Offer Shares being offered or, failing which, to apply for such Public Offer Shares themselves on the terms and conditions as set out in the Underwriting Agreement; and (b) the Placing Underwriters have severally agreed to procure subscribers for, or, failing which to subscribe for their respective applicable proportions of the Placing Shares themselves on the terms and conditions as set out in the Underwriting Agreement.

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## UNDERWRITING

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### Grounds for termination

Goldbond Securities (on behalf of itself and the other Underwriters), in its absolute discretion, are entitled to terminate the Underwriting Agreement upon occurrence of the following events at any time at or before 8:30 a.m. on 20 September 2007:

- (A) (1) there is any change or prospective change (whether or not permanent) in the business or in the financial or trading position or prospects of the Company or any other member of the Global Sweeteners Group;
- (2) any event or series of events resulting or representing or likely to result in any change or development (whether or not permanent) in local, national, regional or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters shall have occurred, happened or come into effect;
- (3) any relevant new law or rule, guideline, regulation, opinion, notice, circular, order, judgment, decree or ruling of any court or any public, regulatory or governmental agency or authority (including, without limitation, the Stock Exchange and the SFC) (“**Governmental Authority**”), other authority and any court at the national, provincial, municipal or local level (“**Laws**”) or change (whether or not forming part of a series of changes) in existing Laws or any change in the interpretation or application thereof by any court or Governmental Authority of any relevant jurisdiction shall have been introduced or effected;
- (4) a change or prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in Hong Kong, the Cayman Islands or any other jurisdiction relevant to the Global Sweeteners Group or affecting an investment in the Shares or the transfer or dividend payment in respect thereof;
- (5) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the warrantors of the Underwriting Agreement pursuant to the indemnities contained in the Underwriting Agreement.
- (6) the imposition of economic sanctions, in whatever form, directly or indirectly, by Japan, the US, the European Union (or any member thereof) or in Hong Kong, the PRC, or any other jurisdiction relevant to the Global Sweeteners Group;
- (7) any event, or series of events, beyond the control of the Underwriters (including without limitation, any acts of God, acts of government, war, threat of war, riot, public disorder, civil commotion, fire, flooding, explosion, outbreak of diseases or epidemic (including but not limited to severe acute respiratory syndrome and H5N1 and such related or mutated forms), terrorism, strike or lockout) shall have occurred, happened or come into effect;

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## UNDERWRITING

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- (8) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting Hong Kong, Japan, the PRC, the US or the European Union (or any member thereof), or any other jurisdiction relevant to the Global Sweeteners Group; or
  - (9) the imposition or declaration of (i) any suspension or material limitation on dealings in shares or securities generally on the Stock Exchange, New York Stock Exchange, Inc., London Stock Exchange plc or any other major international stock exchange or (ii) any moratorium on banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, the PRC, New York, London or any other jurisdiction, which in the sole and absolute opinion of Goldbond Securities;
    - (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of the Company taken alone or the Global Sweeteners Group taken as a whole; or
    - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
    - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable to proceed with the Share Offer; or
- (B) Goldbond Securities shall become aware of the fact that, or have cause to believe that:
- (1) any of the warranties given by the warrantors of the Underwriting Agreement under the Underwriting Agreement is untrue, inaccurate or misleading in any material respect which is considered by Goldbond Securities in its sole and absolute discretion to be material in the overall context of the Share Offer;
  - (2) any statement contained in this prospectus in respect the Public Offer, the Placing and/or the Share Offer has become or has been discovered to be untrue, incorrect or misleading in any material respect, or any matter have arisen or have been discovered which would constitute a material omission therefrom; or
  - (3) there has been a breach on the part of any of the parties to the Underwriting Agreement (other than the Sponsor and the Underwriters) of any of the provisions of the Underwriting Agreement as considered by Goldbond Securities in its sole and absolute discretion to be material in the overall context of the Share Offer.

### **Undertakings**

1. The Company hereby undertakes to the Sponsor and the Underwriters that, and each of the Controlling Shareholders and the executive Directors, hereby undertakes to the Sponsor and the Underwriters to procure that, without the prior written consent of the Sponsor (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the grant of the Over-allotment Option and the grant of any options under the Share

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## UNDERWRITING

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Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options granted under the Share Option Scheme or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company or any capitalisation issue, consolidation, sub-division or capital reduction of Shares, neither the Company nor any of its subsidiaries shall, without the prior written consent of Goldbond Securities (on behalf of the Underwriters) (i) issue or agree to issue any shares in the Company or any subsidiary of the Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company during the period commencing from the date of this prospectus and ending six months from the Listing Date (“**First Six-Month Period**”); (ii) issue or agree to issue any of the Shares or other interests referred to in (i) above during the six-month period commencing immediately after the expiry of the First Six-Month Period (the “**Second Six-Month Period**”) if, immediately following such issue, any of the Controlling Shareholders either individually or taken together with the other would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; or (iii) during the First Six-Month Period, purchase any shares or securities of the Company.

2. Each of the Controlling Shareholders jointly and severally undertakes to the Company, the Sponsor and the Underwriters that:
  - (a) it shall not and shall procure that none of its or companies controlled by or nominees or trustees holding in trust for it shall sell, transfer or otherwise dispose of (save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares owned by it or the relevant company, nominee or trustee (including any shares in any company controlled by it which is directly or indirectly the beneficial owner of any of such Shares) immediately following completion of the Share Offer and the Capitalisation Issue during the First Six-Month Period; and
  - (b) it shall not and shall procure that none of its associates or companies controlled by it shall during the Second Six-Month Period dispose of (save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares owned by it or the relevant company, nominee or trustee (including any shares in any company controlled by it which is directly or indirectly the beneficial owner of any such Shares) immediately following the Share Offer and the Capitalisation Issue if, immediately following such disposal, the Controlling Shareholders either individually or together would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company, and in respect of any such disposal, all reasonable steps shall be taken to ensure that any such sale, transfer for disposal shall not create a disorderly or false market in the Shares and after completion of such disposal.
3. Each of the Controlling Shareholders undertakes to the Company, the Sponsor and the Underwriters that, within the period of 12 months from the Listing Date, it will:
  - (a) when it pledges/charges any securities or interests in the securities of the Company beneficially owned by it, whether directly or indirectly, immediately inform the Company of such pledges/charges together with the number of Shares so pledged/charged; and
  - (b) when it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company of such indications.

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## UNDERWRITING

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The Company shall inform the Stock Exchange in writing as soon as it has been informed of any such event by any of the Controlling Shareholders and disclose such event by way of an announcement as soon as possible in accordance with the requirements of the Listing Rules.

*Total commission, fee and expenses*

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. For unsubscribed Public Offer Shares reallocated to the Placing, the Company will pay to the Placing Underwriters an underwriting commission at the rate applicable to the Placing Shares.

In connection with the Share Offer, the Sponsor will receive a financial advisory (sponsorship) and documentation fee. Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.805 being the mid-point of the Offer Price range of HK\$1.57 to HK\$2.04 per Share, the underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and professional fees together with printing and advertising costs, and other expenses relating to the Share Offer are estimated to amount to about HK\$42.0 million in total.

The Company has agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by the Company of the Underwriting Agreement.

**Underwriters' interests in the Company**

Apart from the abovementioned, the Sponsor and the Joint Lead Managers do not have any other business relationship with the Group.



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## STRUCTURE OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. Assuming the Over-allotment Option is not exercised, the total number of Offer Shares under the Public Offer and the Placing is 300,000,000 Shares. 30,000,000 Shares, representing 10% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription under the Public Offer; and 270,000,000 Shares, representing 90% of the total number of Shares initially available under the Share Offer, will be offered under the Placing.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve selective marketing of the Placing Shares to professional and institutional investors and other private investors which generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 30% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent about about 33% of the enlarged issued share capital of the Company immediately after the completion of the Share Offer, the Capitalisation Issue and the Over-allotment Option.

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters, in each case, on a several basis, and each being subject to the conditions set out in the section headed “Underwriting” in this prospectus.

In particular, Goldbond Securities (on behalf of the Underwriters) and the Company must agree on the Offer Price.

### PRICE PAYABLE ON APPLICATION

Applicants shall have to pay on application the maximum Offer Price of HK\$2.04 per Offer Share plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for every 2,000 Offer Shares, the amount payable by the subscriber is HK\$4,121.16. Each application form includes a table showing the exact amount payable for certain multiples of Offer Shares.

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## STRUCTURE OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon the fulfilment of the following conditions on or before the times and dates specified in the Underwriting Agreement:

**(a) Listing**

the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, and such listing and permission not subsequently being revoked prior to the Listing;

**(b) Underwriting Agreement**

the obligations of the Underwriters under the Underwriting Agreement becoming unconditional, including, if relevant, as a result of the waiver of any conditions by Goldbond Securities (on behalf of the Underwriters), and not being terminated in accordance with its terms or otherwise; and

**(c) Offer Price**

the Offer Price having been duly determined on or around Price Determination Date,

unless and to the extent such conditions are validly waived on or before such times and dates specified in the Underwriting Agreement, and in any event not later than the date which is 30 days after the date of this prospectus.

In the event that the Share Offer does not become unconditional, the Share Offer will lapse and a press announcement will be made by the Company as soon as possible. In that event, your application money will be returned to you as soon as possible without interest. The terms for refund of money are set out under the paragraph headed “Refund of your money” on the application forms. In the meantime, such application money will be held in one or more separate bank account(s) with the receiving bankers or any other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### OFFER MECHANISM — BASIS OF ALLOCATION OF THE OFFER SHARES

#### The Share Offer

The Share Offer consists of the Placing and the Public Offer. The 300,000,000 Shares initially offered will comprise 270,000,000 Shares being offered under the Placing and 30,000,000 Shares being offered under the Public Offer. The 300,000,000 Shares being offered under the Share Offer will represent 30.0% of the Company’s enlarged share capital immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account the exercise of the Over-allotment Option).

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## STRUCTURE OF THE SHARE OFFER

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Subject to possible reallocation on the basis set forth below, 30,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 300,000,000 Shares offered pursuant to the Share Offer, 270,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will be placed with professional and institutional investors in Hong Kong, the United States, Europe and elsewhere under the Placing. The Placing Shares will be offered in Hong Kong, and other jurisdictions outside the United States.

In connection with the Share Offer, the Underwriting Agreement, the Company has granted to the Placing Underwriters the Over-allotment Option, exercisable by Goldbond Securities (on behalf of the Placing Underwriters) at any time during the period commencing from the Listing Date until 30 days after the last day for lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, Goldbond Securities has the right, but not the obligation, to require the Company to allot and issue up to 45,000,000 additional Shares, representing not more than 15% of the total number of Shares initially being offered under the Share Offer, to cover over-allocations in the Placing. Goldbond Securities may also cover any over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangement from holder of Shares or exercise, in part or in full, of the Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable law. The number of Shares that may be over-allocated will not exceed the maximum aggregate number of Shares that may be issued by the Company under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Share Offer and the Capitalisation Issue, the Offer Shares will represent about 33% of the enlarged issued share capital of the Company.

If Goldbond Securities (on behalf of the Placing Underwriters) decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the Placing. The Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The levels of indication of interest in the Placing and the basis of allotment and the results of application under the Public Offer are expected to be available through a variety of channels, including the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.global-sweeteners.com](http://www.global-sweeteners.com)), as described under the paragraph headed "Publication of results" in the section headed "How to apply for Public Offer Shares and the Reserved Shares" in this prospectus on or before 19 September 2007.

The net proceeds of the Share Offer to be received by the Company, after deducting commissions and expenses and assuming an Offer Price of HK\$1.805 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.57 to HK\$2.04 per Share) and that the Over-allotment Option is not exercised at all, are estimated to be about HK\$499.5 million. If the Over-allotment Option is exercised in full, the Company would receive additional net proceeds (after deducting commissions and expenses attributable to the exercise of the Over-allotment Option) of about HK\$77.0 million.

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## STRUCTURE OF THE SHARE OFFER

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### **The Placing**

The Company is offering initially 270,000,000 Shares at the Offer Price, representing in aggregate 90% of the total number of Offer Shares initially available under the Share Offer, for subscription or, as the case may be, purchase by way of the Placing, subject to the clawback arrangement, reallocation and the exercise of the Over-allotment Option as mentioned in the paragraph headed “Over-subscription and the Over-allotment Option” below. Investors subscribing for or, as the case may be, purchasing the Placing Shares are also required to pay 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee. Goldbond Securities is the sole bookrunner, sole global coordinator and one of the Joint Lead Managers of the Placing and the Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Underwriting Agreement.

Under the Underwriting Agreement, the Company has granted the Over-allotment Option to the Placing Underwriters exercisable by Goldbond Securities (on behalf of the Placing Underwriters) to cover any over-allocations in the Placing and/or the obligations of Goldbond Securities to return securities borrowed under the Stock Borrowing Agreement. Details of the Over-allotment Option are set out under the paragraph headed “Offer mechanism — Basis of allocation of the Offer Share” above.

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price with select professional, institutional and investors in Hong Kong and certain other jurisdictions outside the US. The Placing Shares may also be allocated to individual investors in Hong Kong and certain other jurisdictions outside the US to the extent that the relevant securities laws and requirements are complied with. Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to acquire further Shares, and/or hold or sell its Shares after the commencement of dealings in the Shares on the main board of the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid institutional and professional shareholders base to the benefit of the Company and its shareholders as a whole. Investors who have been allocated any Placing Shares will not be allocated any Public Offer Shares. Similarly, investors who are allocated any Public Offer Shares will not be allocated Placing Shares under the Placing.

The total number of Placing Shares may change as a result of the clawback arrangement referred to under “Over-subscription and the Over-allotment Option” below, reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing as mentioned under “The Public Offer” below, and reallocation of untaken Placing Shares to the Public Offer.

### **The Public Offer**

The Company is initially offering 30,000,000 Public Offer Shares under the Public Offer, at the Offer Price, representing in aggregate 10% of the total number of the Offer Shares initially available under the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the clawback arrangement as mentioned under “Over-subscription and the Over-allotment Option” below. The Public Offer is lead managed by the Joint Lead Managers and is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required to pay on application the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee.

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## STRUCTURE OF THE SHARE OFFER

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The Public Offer is open to all members of the public in Hong Kong. Persons allotted Shares under the Public Offer cannot apply for Shares under the Placing. The Public Offer will be subject to the conditions stated under “Conditions of the Share Offer” above.

Allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro-rata basis. However, this may involve balloting, which would result in some applicants being allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and applicants who are not successful in the ballot not receiving any Public Offer Shares.

If the Public Offer is not fully subscribed, Goldbond Securities will have the absolute discretion to reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate.

The total number of Public Offer Shares to be allotted and issued pursuant to the Public Offer may also change as a result of the clawback arrangement referred to under “Over-subscription and the Over-allotment Option” below.

### **Share Offer mechanism — basis of allocation of the Public Offer Shares**

There will initially be a total of 30,000,000 Public Offer Shares available for subscription under the Public Offer under the **WHITE** and **YELLOW** application forms and by giving **Electronic Application Instructions**. For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 15,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon) or less. The Public Offer Shares available in pool B will consist of 15,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK\$5 million (excluding 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee) and up to the total initial value of pool B.

Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

### **OVER-SUBSCRIPTION AND THE OVER-ALLOTMENT OPTION**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment.

If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available under the Public Offer, then the number of Shares available under the Public Offer will increase to 90,000,000 Shares, (and the

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## STRUCTURE OF THE SHARE OFFER

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number of Shares available under the Placing will correspondingly decrease) representing 30% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Share available under the Public Offer will increase to 120,000,000 Shares, representing 40% of total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will increase to 150,000,000 Shares, representing 50% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

In each such case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

Pursuant to the Underwriting Agreement, the Company granted the Over-allotment Option to the Placing Underwriters, exercisable by Goldbond Securities (on behalf of the Placing Underwriters) at any time within a period commencing from the Listing Date until 30 days after the last day for lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, Goldbond Securities has the right, but not the obligation, to require the Company to allot and issue up to 45,000,000 additional Shares, representing not more than 15% of the total number of Shares initially being offered under the Share Offer, at the Offer Price. If the Over-allotment Option is exercised, the Shares issued or offered under the Over-allotment Option will be allocated to places at the sole discretion of Goldbond Securities and announcement will be made.

### **Preferential Offering**

In order to enable the shareholders of GBT to participate in the Share Offer on a preferential basis as to allocation only, the Qualifying GBT Shareholders are being invited to apply for an aggregate of 15,000,000 Reserved Shares (representing about 5% of the Offer Shares and about 1.5% of the enlarged share capital of the Company upon completion of the Share Offer and the Capitalisation Issue assuming that the Over-allotment Option is not exercised) in the Preferential Offering on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 154 GBT Shares held by them as at 5:00 p.m. on the Record Date. Holders of less than 154 GBT Shares as at 5:00 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. The Reserved Shares are being offered out of the Offer Shares being offered under the Placing.

**The Assured Entitlement may represent Shares not in a multiple of a full board lot of 2,000 Shares, and dealings in odd lots of the Shares may be at a price below their prevailing market price.**

A BLUE application form is being despatched to each Qualifying GBT Shareholder, together with a copy of this prospectus. Qualifying GBT Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than or equal to, their Assured Entitlement under the

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## STRUCTURE OF THE SHARE OFFER

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Preferential Offering. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying GBT Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions as mentioned in this prospectus and the **BLUE** application forms. Where a Qualifying GBT Shareholder applies for a number of Reserved Shares which is greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying GBT Shareholders declining to take up some or all of their Assured Entitlement. Goldbond Securities, on behalf of the Underwriters, will allocate any Assured Entitlement not taken up by Qualifying GBT Shareholders first to satisfy the excess applications for Reserved Shares from Qualifying GBT Shareholders on a fair and reasonable basis and thereafter to the Placing.

In addition to any application for Reserved Shares, Qualifying GBT Shareholders will be entitled to make one application for the Offer Shares on **WHITE** or **YELLOW** application forms or by giving **electronic application instructions** to HKSCC via CCASS. Qualifying GBT Shareholders will receive no preference as to entitlement or allocation in respect of applications for Offer Shares made on **WHITE** or **YELLOW** application forms or by giving **electronic application instructions** to HKSCC via CCASS.

**Assured Entitlement of Qualifying GBT Shareholders are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. Goldbond Securities will reallocate all or any Reserved Shares not taken up by Qualifying GBT Shareholders to the Placing.**

The procedure for application under and the terms and conditions of the Preferential Offering are set out under the paragraph headed "How to apply for Reserved Shares" in the section headed "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus and on the **BLUE** application form.

### **STABILISATION**

In connection with the Share Offer, Goldbond Securities as stabilising manager, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time. Goldbond Securities has been or will be appointed as stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of Goldbond Securities. An announcement will be made to the public within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules made under the SFO.

Following any over-allocation of Shares in connection with the Placing, Goldbond Securities or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold upon exercise of the Over-allotment Option, being 45,000,000 Shares, representing 15% of the Shares initially available under the Share Offer.

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## STRUCTURE OF THE SHARE OFFER

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In order to facilitate the settlement of over-allocations in connection with the Placing, Goldbond Securities (or its affiliate(s)) may choose to borrow Shares from the shareholder of the Company under stock borrowing arrangements, or acquire Shares from other sources, pending the exercise of the Over-allotment Option. Such stock borrowing arrangements will include arrangements agreed between Goldbond Securities and Global Corn Bio-chem. Pursuant to the Stock Borrowing Agreement,

- (a) Goldbond Securities may choose to borrow up to 45,000,000 Shares from Global Corn Bio-chem solely for the purpose of effecting settlement of over-allocation under the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- (b) the maximum number of Shares which may be borrowed from Global Corn Bio-chem by Goldbond Securities must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed will be returned to Global Corn Bio-chem or its nominees, as the case may be, not later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; or (ii) the day on which the Over-allotment Option is exercised in full;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, the Listing Rules and regulatory requirements; and
- (e) no payment or other benefits will be made to Global Corn Bio-chem by Goldbond Securities in consideration of the stock borrowing arrangement.

The possible stabilising action which may be taken by Goldbond Securities in connection with the Share Offer may involve (among other things) (i) over-allotment of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing. The stabilising period is expected to end within 30 days after the last day for the lodging of applications under the Public Offer.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- Goldbond Securities may, in connection with any stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which Goldbond Securities will maintain such a position;
- liquidation of any such long position by Goldbond Securities may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last date for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;



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## STRUCTURE OF THE SHARE OFFER

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- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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### 1. WHICH APPLICATION METHOD TO USE

Use a **WHITE** application form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** application form if you want the share certificate for the Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account maintained in CCASS.

Instead of using a **YELLOW** application form, you may give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf. Any Public Offer Share allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

**You may not both apply on a WHITE or YELLOW application form and give electronic application instructions to HKSCC.**

*Note:* The Offer Shares are not available to the Directors or chief executive of the Company or any of its subsidiaries, existing beneficial owners of the Shares, or any of their respective associates except under the Preferential Offering.

### 2. WHERE TO OBTAIN THE APPLICATION FORMS FOR THE PUBLIC OFFER SHARES

You can obtain a **WHITE** application form and a prospectus from:

**Any participant of The Stock Exchange of Hong Kong Limited**

or

**Goldbond Securities Limited**

3901B, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

or

**DBS Asia Capital Limited**

22nd Floor, The Center  
99 Queen's Road Central  
Hong Kong

or

**BOCOM International Holdings Company Limited**

3rd Floor  
Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

or

**CCB International Capital Limited**

Suites 2815–21, 28th Floor  
Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

or

**CIMB-GK Securities (HK) Limited**

25/F, Central Tower  
28 Queen's Road Central  
Hong Kong

or

**Dao Heng Securities Limited**

12th Floor, The Center  
99 Queen's Road Central  
Hong Kong

or

**Mitsubishi UFJ Securities (HK) Capital, Limited**

11/F., AIG Tower  
1 Connaught Road, Central  
Hong Kong

or

**OSK Asia Securities Limited**

12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong

or

**Shenyin Wanguo Capital (H.K.) Limited**

28 Floor, Citibank Tower  
Citibank Plaza  
3 Garden Road, Central  
Hong Kong

or

**Taiwan Securities (Hong Kong) Company Limited**

Room 1302–5, 13/F  
Tower II, Admiralty Centre  
18 Harcourt Road  
Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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or any of the following branches of Hang Seng Bank Limited:

District	Branch name	Address
<b>Hong Kong Island:</b>	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	Quarry Bay Branch	989 King's Road
	Causeway Bay Branch	28 Yee Wo Street
	North Point Branch	335 King's Road
<b>Kowloon:</b>	Tsimshatsui Branch	18 Carnarvon Road
	Kwun Tong Branch	70 Yue Man Square
	Kowloon Main Branch	618 Nathan Road
	Hung Hom Branch	21 Ma Tau Wai Road
	Kowloon Bay Branch	Shop P18–P19 Telford Gardens
<b>New Territories:</b>	Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin
	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** application form and a prospectus during normal business hours from 9:00 a.m. on 10 September 2007 until 12:00 noon on 13 September 2007 from:

**Depository Counter of HKSCC**  
2nd Floor, Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

or

your broker, who may have the application forms and the prospectus available.

### 3. HOW TO COMPLETE THE WHITE OR YELLOW APPLICATION FORM

There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier orders to you (or the first-named applicant in the case of joint applicant(s)) at your own risk at the address stated in the application form. If your application is made through a duly authorised representative, Goldbond Securities, in consultation with the Group, or its agents, may accept your application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **YELLOW** application forms to be valid:

- (a) if the application is made through a designated CCASS Participant, other than a CCASS Investor Participant:
  - (i) the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- (ii) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;
- (b) if the application is made by an individual CCASS Investor Participant:
  - (i) the application form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
  - (ii) the CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the application form;
- (c) if the application is made by a joint individual CCASS Investor Participant:
  - (i) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers; and
  - (ii) the participant I.D. should be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the application form;
- (d) if the application is made by a corporate CCASS Investor Participant:
  - (i) the application form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
  - (ii) the participant I.D. and company chop, bearing the applicant's company name, endorsed by its authorised signatures must be inserted in the appropriate box in the application form;
- (e) signature(s), number of signatories and form of chop, where appropriate, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

Each **WHITE** or **YELLOW** application form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form. All such cheques or banker's cashier orders must be made payable as set out in the application form and crossed "Account Payee Only".

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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### 4. HOW TO APPLY FOR THE RESERVED SHARES

An application for the Reserved Shares under the Preferential Offering may only be made by Qualifying GBT Shareholders using a **BLUE** application form which is being despatched to the Qualifying GBT Shareholders by the Company. Using the **BLUE** application form, the Qualifying GBT Shareholders may apply on an assured basis for a number of Reserved Shares less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** application form. The Qualifying GBT Shareholders may also apply for a number of Reserved Shares in excess of their Assured Entitlement specified on their individual **BLUE** application form.

Qualifying GBT Shareholders who require a replacement **BLUE** application form should contact Tricor Investor Services Limited at its hotline on (852) 2980 1333.

If you held your GBT Shares on the Record Date in CCASS indirectly through a broker or custodian and you wish to participate in the Preferential Offering, you should instruct the broker or custodian to apply for the Reserved Shares on your behalf no later than the deadline as set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, you should check with your broker/custodian for the timing on the processing of your instruction, and submit your instruction to your broker/custodian as required by them.

If you held your GBT Shares on the Record Date in CCASS directly as a CCASS Investor Participant and wish to participate in the Preferential Offering, you should give your instruction to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline as set by HKSCC or HKSCC Nominees.

#### **Despatch of BLUE application forms**

A **BLUE** application form with a copy of this prospectus will be despatched to you by the Company if you are a Qualifying GBT Shareholder with an Assured Entitlement.

#### **How to complete the BLUE application forms**

There are detailed instructions on each **BLUE** application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you at your own risk at the address stated in the **BLUE** application form.

All Qualifying GBT Shareholders who would like to apply for Reserved Shares must complete the **BLUE** application form. In the **BLUE** application form, the Qualifying GBT Shareholders will be required to, inter alia, fill in the total number of Reserved Shares they are applying for.

If your application is made through a duly authorised attorney, the Company and Goldbond Securities (on behalf of the Underwriters) (or its agent(s), and nominee(s)) as agent for the Company may accept it at their discretion and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

In order for the **BLUE** application form to be valid, the Qualifying GBT Shareholders should complete the **BLUE** application form and then deposit the completed **BLUE** application form, with one cheque or one banker's cashier order as payment attached, in the special collection boxes

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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provided at Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before the latest time for lodgement of the **BLUE** application forms, as specified in the sub-paragraph headed "When to apply for Reserved Shares" below.

If the application is accepted, the Reserved Shares will be issued and registered in the name of the relevant Qualifying GBT Shareholder.

### **Effect of making any application using a BLUE application form**

You should note that by completing and submitting the **BLUE** application form, among others, you:

- instruct and authorise each of the Company, the Sponsor and/or Goldbond Securities (or their respective agents or nominees) as agents of the Company to execute any transfer forms or other documents on your behalf and to do on your behalf all things necessary to register any Reserved Shares allocated to you in your name(s) as required by the articles of association (including the registration of the Reserved Shares allocated to you in your name(s) on the Company's branch register of members in Hong Kong), and otherwise to give effect to the arrangements described in this prospectus and the **BLUE** application form;
- undertake to sign all documents and to do all things necessary to enable you to be registered as the holder of the Reserved Shares allocated to you, and as required by the articles of association;
- confirm that you have only relied on the information and representations in this prospectus and the **BLUE** application form in making your application and will not rely on any other information and representations save as set forth in this prospectus, the **BLUE** application form and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation or other than as provided in this prospectus;
- agree to disclose to the Company, its registrar, Hang Seng Bank Limited, the Sponsor, Goldbond Securities, the Underwriters and their respective advisors and agents personal data and any information which they require about you and/or the person(s) for whose benefit you have made the application;
- warrant that, in making an application, you or any person(s) on whose behalf you may be acting is/are Qualifying GBT Shareholder(s);
- represent, warrant and undertake that you are not within the United States and are not a United States person (within the meaning of Regulation S under the United States Securities Act of 1933, as amended); and
- agree with the Company and each Shareholder that the Shares are freely transferable by the holders thereof.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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### How many applications you may make

You may not make more than one application by applying on a **BLUE** application form. If you are a Qualifying GBT Shareholder and apply on a **BLUE** application form, you may also apply for Public Offer Shares on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC via CCASS.

All of your applications for Reserved Shares will be rejected as multiple applications if you make more than one application on a **BLUE** application form.

Please see the sub-section above headed “How many applications you may make” in this section for the situation where you may make more than one application for the Offer Shares.

### When to apply for Reserved Shares

Completed **BLUE** application forms, with payment attached, must be lodged by 12:00 noon on Thursday, 13 September 2007, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening of application lists” below.

Your completed **BLUE** application form, with one cheque or one banker’s cashier order attached, should be deposited in the special collection boxes provided at Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong at the following times:

<b>Monday, 10 September 2007</b>	—	<b>9:00 a.m. to 4:00 p.m.</b>
<b>Tuesday, 11 September 2007</b>	—	<b>9:00 a.m. to 4:00 p.m.</b>
<b>Wednesday, 12 September 2007</b>	—	<b>9:00 a.m. to 4:00 p.m.</b>
<b>Thursday, 13 September 2007</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 13 September 2007, except as provided in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

## 5. HOW MANY APPLICATIONS MAY YOU MAKE

There are only two situation where you may make more than one application for the Public Offer Shares:

1. If you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked “For nominees” you must include:
  - an account number; or
  - some other identification code

for **each** beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being for your benefit.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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If you are a Qualifying GBT Shareholder applying for Reserved Shares under the Preferential Offering, using a **BLUE** application form, you may also apply on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS.

**Otherwise, multiple applications are not allowed.**

It will be a term and condition of all applications that by completing and delivering an application form or giving **electronic application instructions** to HKSCC, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the application form as that other person's agent.

Save as referred to above, **all** of your applications for Public Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

- make more than one application on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant); or
- apply on one **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant) for more than 100% of the Public Offer Shares being initially available in either pool A or pool B to the public as referred to in the paragraph headed "Offer mechanism — basis of allocation of the Offer Shares" in the section headed "Structure of the Share Offer" of this prospectus; or
- all of your applications for Public Offer Shares will also be rejected as multiple applications if more than one application for Public Offer Shares is made for your benefit including the part of the application made by HKSCC Nominees acting on **electronic application instructions**. If an application is made by an unlisted company and
  - the only business of that company is dealing in securities; and
  - you exercise statutory control over that company, then the application will be treated as being for your benefit. Unlisted company means a company with no equity securities listed on the Stock Exchange.

**Statutory control** means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- hold more than half of the issued share capital of that company, without taking into account any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital.

### 6. HOW MUCH ARE THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

You must pay the maximum Offer Price of HK\$2.04 per Share together with 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee in full when you apply for the Public Offer Shares. This means that for every board lot of 2,000 Shares, you will pay HK\$4,121.16. Each of the application forms has a table showing the exact amount payable for certain multiples of Public Offer Shares. Your payment must be by one cheque or one banker's cashier order and must comply with the terms of the application forms.

If your application is successful, brokerage is paid to participants of the Stock Exchange and the SFC transaction levy are paid to the SFC and the trading fee is paid to the Stock Exchange.

If your application is unsuccessful, appropriate refund payment (including the brokerage, SFC transaction levy and Stock Exchange trading fee) will be made to you without interests. If the Offer Price as finally determined is less than HK\$2.04 per Share, appropriate refund payment (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to you without interests. Details of the procedure for refund are set out in the section headed "Despatch and collection of share certificate(s) and/or refund cheque(s) and deposit of share certificates into CCASS".

### 7. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR PUBLIC OFFER SHARES

#### (a) WHITE or YELLOW application forms

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged by 12:00 noon on 13 September 2007, or, if the application lists are not open on that day, then by 12:00 noon on the next business day when the lists are open.

Your completed **WHITE** or **YELLOW** application form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Hang Seng Bank Limited listed on page 214 of this prospectus at the following times:

<b>Monday, 10 September 2007</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Tuesday, 11 September 2007</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Wednesday, 12 September 2007</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Thursday, 13 September 2007</b>	—	<b>9:00 a.m. to 12:00 noon</b>

#### (b) Electronic application instructions to HKSCC

CCASS Broker/Custodian Participants should input **electronic application instructions** at the following times:

<b>Monday, 10 September 2007</b>	—	<b>9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Tuesday, 11 September 2007</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Wednesday, 12 September 2007</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Thursday, 13 September 2007</b>	—	<b>8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- <sup>(1)</sup> These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on 10 September 2007 until 12:00 noon on 13 September 2007 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on 13 September 2007 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

### (c) Application lists

The application lists will be open from 11:45 a.m. on 13 September 2007. Applications for the Public Offer Shares will not be processed, and no allotment of any such Public Offer Shares will be made, until the closing of the application lists.

## 8. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 13 September 2007.

Instead the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

**Business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

## 9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES OR THE RESERVED SHARES

Full details of the circumstances in which you will not be allocated Public Offer Shares and Reserved Shares are set out in the notes attached to the application forms, and you should read them carefully. You should note in particular the following situations in which Public Offer Shares and Reserved Shares will not be allocated to you:

- **At the discretion of the Company, the Sponsor and Goldbond Securities or their respective agents or nominees, your application is rejected:**

The Company, the Sponsor and Goldbond Securities (on behalf of the Underwriters) (as agents for the Company) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. The Company, Goldbond Securities, and the Underwriters in their respective capacity as agents for the Company, and their respective agents and nominees, do not have to give any reasons for any rejection or acceptance.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- **Your application may be rejected if:**

- it is a multiple or suspected multiple application;
- your application form is not filled in correctly in accordance with the instructions;
- your payment is not made correctly;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Shares under the Placing (except for the Reserved Shares under the Preferential Offering);
- your application is for more than 100% of either pool A or pool B of the Public Offer Shares being initially offered for public subscription; or
- the Company is of the view that by accepting your application, it would violate applicable securities laws, rules or regulations or other laws, rules or regulations of the jurisdiction, in which your application is received or your address as set out in the application form.

- **The Public Offer does not become unconditional:**

Your application may not be accepted if:

- the Underwriting Agreement does not become unconditional; or
- the Underwriting Agreement is terminated in accordance with its respective terms.

- **If your application is revoked:**

By completing and submitting an application form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before 10 October 2007. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form. This collateral contract will be in consideration of the Company agreeing that it will not offer any of the Offer Shares to any person before 10 October 2007 except by means of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked earlier than 10 October 2007 if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the South China Morning Post (English) and the Hong Kong Economic Times (Chinese) of the basis of

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot, respectively.

- **If the allocation of the Public Offer Shares is void:**

Your allocation (and the allocation to HKSCC Nominees, as the case may be) of the Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

### 10. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or CCASS Internet System at <http://ip.ccass.com> (using the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

**Customer Service Centre of HKSCC**  
2/F Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Public Offer Shares.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to the Company and the Hong Kong share registrar.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- (e) You may give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instructions** in respect of more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the application form.
- (f) Where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:
- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus; and
- (ii) HKSCC Nominees does the following things on behalf of each of the persons:
- **agrees** that the Public Offer Shares to be allotted shall be issued in the name of the HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf;
  - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
  - **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;
  - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
  - (if that person is an agent for another person) **declares** that it has given only one set of **electronic application instructions** for the benefit of that other person, and that it is duly authorised to give those instructions as that other person's agent;
  - **understands** that the above declaration will be relied upon by the Company in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if that person makes a false declaration;
  - **authorises** the Company to place the name of HKSCC Nominees on the register of member of the Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between the Company and HKSCC;
  - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker/custodian to give **electronic application instructions** on that person's behalf;
  - **agrees** that the Company, the Underwriters and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus;
  - **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;
  - **agrees** to disclose that person's personal data to the Company and its agents and any information which they require about that person;
  - **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before Wednesday, 10 October 2007, unless a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342 E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
  - **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the press announcement on results of the Public Offer published by the Company;
  - **agrees** to the arrangements, undertakings and warrants specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares.
- (g) By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:
- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Public Offer Shares on your behalf;
  - instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage, transaction levy and trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application money by crediting your designated bank account;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the thing which it is stated to do on your behalf in the **WHITE** application form.
- (h) For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or cause to give, **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.
- (i) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be actual application for the purposes of considering whether multiple applications have been made.
- (j) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (k) The paragraph headed “Personal data” in the **WHITE** and **YELLOW** application form” applies to any personal data held by the Sponsor, the Company and the Hong Kong share registrar about you in the same way as it applies to personal data of the applicants other than HKSCC Nominees.

### Warning

**Application for Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Joint Lead Managers and any parties in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares. To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:**

- (a) **submit the white or yellow application form (as appropriate); or**
- (b) **go to HKSCC’s Customer Service Centre to complete instruction input request form before 12:00 noon on 13 September 2007 or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the application lists” above.**



### 11. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the indication of the levels of interest in the Placing, results of applications and basis of allocation of Shares under the Public Offer and Preferential Offering (with the identification numbers of successful applicants), and the number of Shares, if any, reallocated between the Placing and the Public Offer on or before Wednesday, 19 September 2007 in the manner specified below:

- on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)); and
- on the website of the Company for at least five consecutive days ([www.global-sweeteners.com](http://www.global-sweeteners.com)).

A notification announcement under Rule 2.17A of the Listing Rules which includes the Offer Price, the indication of the levels of interest in the Placing, the level of applications and basis of allocation of Shares under the Public Offer and Preferential Offering, and the number of Shares, if any, reallocated between the Placing and the Public Offer will be published by the Company on or before Wednesday, 19 September 2007 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

In addition, the Company expect to announce the results of applications (with the identification numbers of successful applicants) under the Public Offer and Preferential Offering at the times and dates and in the manner specified below:

- Results of allocations will be available from our Share Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of offer Shares allocated to them, if any, by calling (852) 2980 1833 between 9:00 a.m. and 6:00 p.m. from Wednesday, 19 September 2007 to Monday, 24 September 2007, excluding Saturday and Sunday; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from 19 September 2007 to 21 September 2007 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed “How to apply for Public Offer Shares and the Reserved Shares” above.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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### 12. DESPATCH AND COLLECTION OF SHARE CERTIFICATE(S) AND/OR REFUND CHEQUE(S) AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

The Company will not issue temporary documents of title. No receipt will be issued for application monies received.

#### **WHITE or BLUE application forms:**

If you have applied for (i) 1,000,000 Public Offer Shares or more or (ii) 1,000,000 Reserved Shares or more, and have indicated on your **WHITE** or **BLUE** application form that you will collect your share certificate(s) and, or, refund cheque, if any, in person, you may collect it, them, in person from:

#### **Tricor Investor Services Limited**

26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of despatch of share certificates and, or, refund cheques. This is expected to be on or before Wednesday, 19 September 2007.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) and/or refund cheque, if any, in person within the time specified for collection, it/they will be sent to the address on your application form shortly after the specified time on the date of despatch by ordinary post and at your own risk. If you have applied for (i) 1,000,000 Public Offer Shares or more or (ii) 1,000,000 Reserved Shares or more but have not indicated on your application form that you wish to collect your Share certificate(s) and/or refund cheque in person, or if you have applied for less than 1,000,000 Public Offer Shares or 1,000,000 Reserved Shares, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Share Offer described under the paragraph headed "Conditions of the Share Offer" in the section headed "Structure of the Share Offer" in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) and/or refund cheque, if any, in respect of the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, if any, without interest, will be sent to the address on your application form on the date of despatch by ordinary post and at your own risk.

Applicants will receive one share certificate each for all the Public Offer Shares or the Reserved Shares allocated.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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### **YELLOW application forms:**

Your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, as instructed by you, at the close of business on 19 September 2007, or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant, other than a CCASS Investor Participant:

- for Public Offer Shares credited to the stock account of your designated CCASS Participant, other than a CCASS Investor Participant, you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspapers on 19 September 2007. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 19 September 2007 or such other date as shall be determined by HKSCC or HKSCC nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you will collect your refund cheque in person, please follow the instructions set out in the paragraph headed "**WHITE** or **BLUE** application forms" above.

### **Refund cheque**

All refunds will be by a cheque crossed "Account Payee Only", made out to you, or, if you are joint applicants, to the first-named applicant on your application form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidated your refund cheque.

### **Electronic application instructions**

If you apply for Public Offer Shares by giving **electronic application instructions** to HKSCC and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant to which you have instructed to give **electronic application instructions** on your behalf (as

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND THE RESERVED SHARES

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appropriate) at the close of business on 19 September 2007 or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees. If you apply by giving **electronic application instructions** to HKSCC, refund of the application monies (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) will be credited to your designated bank account or the bank account of your designated broker or custodian without interest on 19 September 2007. The Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Public Offer, in the newspapers on 19 September 2007. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 19 September 2007 or any other date HKSCC or HKSCC Nominees chooses. If you are instructing your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian. If you are applying as a CCASS Investor Participant, you can also check the number of Public Offer Share allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on 19 September 2007, HKSCC will also make available to you activity statement(s) showing the number of Public Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

### 13. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 20 September 2007. The Shares will be traded in board lots of 2,000 Shares each.

### 14. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares issued and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on such other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect then. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



18/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

10 September 2007

The Board of Directors  
Global Sweeteners Holdings Limited  
Goldbond Capital (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries listed below (hereinafter collectively referred to as the “Group”), and jointly-controlled entities for each of the three years ended 31 December 2004, 2005 and 2006 and for the three months ended 31 March 2007 (the “Relevant Periods”), and the comparative financial information of the Group and its jointly-controlled entities for the three months ended 31 March 2006 (the “Comparative Financial Information”), both prepared on the basis as set out in Section II below, for inclusion in the prospectus of the Company dated 10 September 2007 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 13 June 2006 as a limited liability company. Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “Group reorganisation” in Appendix V to the Prospectus, and in Section II below, the Company became the holding company of the subsidiaries set out below.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries and indirect interests in the following jointly-controlled entities, all of which are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

Name of company	Date of incorporation/ incorporation/ registration	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
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**Subsidiaries**

*Directly held:*

Global Sweeteners Investments Limited <sup>(2)</sup> (“Global Sweeteners”)	24 July 2001	British Virgin Islands	Ordinary US\$100	100	Investment holding
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Name of company	Date of incorporation/ registration	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Global Sweeteners (China) Limited <sup>(1)</sup> 大成澱粉糖(中國)有限公司 ("GS (China)")	17 May 2006	British Virgin Islands	Ordinary US\$2	100	Investment holding
Global Sweeteners (HK) Limited <sup>(1)</sup> 大成糖業(香港)有限公司	15 May 2007	Hong Kong	HK\$10,000	100	General administration
<i>Indirectly held:</i>					
Datex Investment Limited <sup>(2)</sup> 大德投資有限公司	29 November 2000	Hong Kong	Ordinary HK\$2	100	Investment holding
Eternal Win Investments Limited <sup>(1)</sup> 長春帝豪食品發展有限公司 Changchun Dihao Foodstuff Development Co., Ltd.* <sup>(3)</sup> ("Changchun Dihao")	15 February 2007	British Virgin Islands	US\$2	100	Investment holding
上海好成食品發展有限公司 Shanghai Hao Cheng Food Development Co., Ltd.* <sup>(3)</sup> ("Hao Cheng")	10 May 1999	The People's Republic of China (the "PRC")/ Mainland China	RMB81,000,000	100	Manufacture and sale of corn based sweetener products
長春帝豪結晶糖開發實業有限公司 Changchun Dihao Crystal Sugar Industry Development Co., Ltd.* <sup>(3)</sup> ("Dihao Crystal")	2 December 1998	PRC/Mainland China	US\$2,668,000	100	Manufacture and sale of corn based sweetener products
	15 May 2006	PRC/Mainland China	US\$3,200,000	100	Manufacture and sale of crystallised sugar

Name of company	Date of incorporation/ registration	Place of incorporation/ registration and operations	Ownership interest	Percentage of Voting power and profit sharing	Principal activities
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**Jointly-controlled entities***Indirectly held:*

Global Bio-chem-Cargill (Holdings) Limited <sup>(2)</sup> 大成-嘉吉(控股)有限公司	20 July 2001	Hong Kong	50	50	Investment holding
Global-Nikken (H.K.) Company Limited <sup>(2)</sup> 大成-日研(香港)有限公司	18 February 2004	Hong Kong	51	50	Investment holding

Name of company	Date of incorporation/ registration	Place of incorporation/ registration and operations	Percentage of Ownership interest	Voting power and profit sharing	Principal activities
長春大成日研糖醇開發有限公司 Changchun Dacheng Nikken Polyols Co., Ltd.* <sup>(3)</sup> ("CDNP")	3 June 2004	PRC/Mainland China	51	50	Manufacture and sale of sorbitol products
大成嘉吉高果糖(上海)有限公司 GBT-Cargill High Fructose (Shanghai) Co., Ltd.* <sup>(4)</sup> ("GCHF")	29 November 2001	PRC/Mainland China	50	50	Manufacture and sale of high fructose corn syrup

\* Wholly foreign-owned enterprises

- (1) No statutory financial statements have been prepared for these companies.
- (2) The statutory financial statements for each of the three years ended 31 December 2004, 2005 and 2006 were audited by Ernst & Young.
- (3) The statutory financial statements for each of the three years ended 31 December 2004, 2005 and 2006 were audited by 吉林聖祥會計師事務所有限公司.
- (4) The statutory financial statements for each of the three years ended 31 December 2004, 2005 and 2006 were audited by 上海銘瑞會計師事務所有限公司.

All companies now comprising the Group have adopted 31 December as its financial year end for statutory financial reporting purposes. The Company is principally engaged in investment holding. The Group is principally engaged in the manufacture and sale of corn based sweetener products.

No statutory financial statements have been prepared for the Company since its incorporation as the Company has not commenced any operation. Accordingly, no company balance sheet has been presented for the purpose of this report.

The directors of the Company have prepared the consolidated financial statements of Global Sweeteners Investments Limited ("Global Sweeteners"), the then intermediate holding company of the companies now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. We have audited the consolidated financial statements of Global Sweeteners in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information of the Group for the Relevant Periods (the "Financial Information") set out in this report has been prepared based on the audited consolidated financial statements of Global Sweeteners as if the group reorganisation had been completed as at the beginning of the Relevant Periods. The Financial Information accordingly comprises the consolidated balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 31 March 2007, the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for the years ended 31 December 2004, 2005 and 2006 and for the three months ended 31 March 2007, together with the notes thereto, and the Comparative Financial Information of the Group, which comprises the consolidated income statement, consolidated cash flow statement and

consolidated statement of changes in equity of the Group for the three months ended 31 March 2006, together with the notes thereto, are the responsibility of the directors of the Company who approve their issuance.

The directors of the Company are responsible for preparing the Financial Information and the Comparative Financial Information which give a true and fair view. In preparing the Financial Information and the Comparative Financial Information which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgments and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion and a review conclusion on such information in respect of the Relevant Periods and for the three months ended 31 March 2006, respectively, and to report our opinion and review conclusion to you.

***Procedures Performed in Respect of the Relevant Periods***

For the purpose of this report, we have examined the audited consolidated financial statements of Global Sweeteners and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary to the audited consolidated financial statements of the Group.

***Procedures Performed in Respect of the Comparative Financial Information***

For the purpose of this report, we have performed a review of the Comparative Financial Information which includes the consolidated income statement and consolidated cash flow statement of the Group for the three months ended 31 March 2006, together with the notes thereto, for which the directors of the Company are responsible, in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than our audit or examination procedures described in the preceding paragraph and, accordingly, we do not express an audit opinion on the Comparative Financial Information.



***Opinion in Respect of the Financial Information of the Relevant Periods***

In our opinion, on the basis of presentation set out in Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group for each of the Relevant Periods and of the consolidated balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 31 March 2007.

***Review Conclusion in Respect of the Comparative Financial Information***

On the basis of our review, for the purpose of this report, which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information for the three months ended 31 March 2006.

## I. FINANCIAL INFORMATION

## Consolidated Balance Sheets

The following is a summary of the consolidated balance sheets of the Group as at the end of each of the Relevant Periods prepared on the basis set out in Section II below.

	Notes	31 December		31 March	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	5	233,937	433,394	496,592	520,831
Prepaid land premiums	6	22,739	24,579	23,985	24,310
Deposit for acquisitions of property, plant and equipment		12,788	441	1,178	651
Goodwill	7	32,839	149,950	149,950	149,950
Long term loan to a jointly-controlled entity	14(b)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Total non-current assets		<u>342,303</u>	<u>648,364</u>	<u>711,705</u>	<u>735,742</u>
<b>CURRENT ASSETS</b>					
Inventories	8	42,354	33,366	69,046	66,826
Trade receivables	9	62,733	68,724	98,106	133,415
Prepayments, deposits and other receivables		8,508	7,774	21,929	22,949
Due from the immediate holding company	14(a)	21,085	21,085	21,085	21,085
Due from fellow subsidiaries	14(a)	8,282	262,977	351,396	361,658
Due from jointly-controlled entities	14(c)	431	6,293	14,272	12,198
Tax recoverable	13	17	6,659	—	—
Cash and bank balances	10	<u>298,308</u>	<u>66,146</u>	<u>43,153</u>	<u>47,680</u>
Total current assets		<u>441,718</u>	<u>473,024</u>	<u>618,987</u>	<u>665,811</u>
<b>CURRENT LIABILITIES</b>					
Interest-bearing bank and other borrowings	11	18,167	37,587	100,100	99,970
Trade payables	12	14,710	18,569	19,377	19,789
Other payables and accruals		22,572	42,092	56,130	53,271
Due to the ultimate holding company	14(a)	232,309	268,912	270,935	270,935
Due to the immediate holding company	14(a)	21	180,360	180,360	180,360
Due to fellow subsidiaries	14(a)	147,545	199,850	193,720	167,025
Due to jointly-controlled entities	14(c)	927	3,596	2,510	2,719
Due to a related company	14(d)	549	549	575	928
Due to a minority shareholder	14(e)	39,206	—	—	—
Tax payable		<u>1,187</u>	<u>260</u>	<u>8,029</u>	<u>6,502</u>
Total current liabilities		<u>477,193</u>	<u>751,775</u>	<u>831,736</u>	<u>801,499</u>
NET CURRENT LIABILITIES		<u>(35,475)</u>	<u>(278,751)</u>	<u>(212,749)</u>	<u>(135,688)</u>

	Notes	31 December		31 March	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>306,828</u>	<u>369,613</u>	<u>498,956</u>	<u>600,054</u>
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	11	154,178	158,625	117,647	170,000
Due to a venturer of a jointly-controlled entity	14(b)	20,000	20,000	20,000	20,000
Deferred tax liabilities	15	<u>—</u>	<u>2,956</u>	<u>3,857</u>	<u>4,036</u>
Total non-current liabilities		<u>174,178</u>	<u>181,581</u>	<u>141,504</u>	<u>194,036</u>
Net assets		<u>132,650</u>	<u>188,032</u>	<u>357,452</u>	<u>406,018</u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	16	—	—	—	—
Reserves	17	<u>96,341</u>	<u>188,032</u>	<u>357,452</u>	<u>406,018</u>
		96,341	188,032	357,452	406,018
Minority interests		<u>36,309</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total equity		<u>132,650</u>	<u>188,032</u>	<u>357,452</u>	<u>406,018</u>

## Consolidated Income Statements

The following is a summary of the consolidated income statements of the Group for the Relevant Periods and for the three months ended 31 March 2006, which have been prepared on the basis set out in Section II below:

	Notes	Year ended 31 December			Three months ended	
		2004	2005	2006	31 March 2006	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
REVENUE	20	265,016	824,972	1,144,141	212,035	336,350
Cost of sales		<u>(210,089)</u>	<u>(645,037)</u>	<u>(892,564)</u>	<u>(171,663)</u>	<u>(280,548)</u>
Gross profit		54,927	179,935	251,577	40,372	55,802
Other income	20	2,345	2,178	5,588	923	2,764
Selling and distribution costs		(20,403)	(50,092)	(48,251)	(8,441)	(11,143)
Administrative expenses		(6,668)	(10,659)	(15,039)	(2,660)	(4,248)
Other expenses		(2,952)	(8,510)	(3,760)	(725)	(19)
Finance costs	22	<u>(892)</u>	<u>(5,688)</u>	<u>(13,426)</u>	<u>(2,830)</u>	<u>(3,412)</u>
PROFIT BEFORE TAX	21	26,357	107,164	176,689	26,639	39,744
Tax	24	<u>(3,146)</u>	<u>(11,498)</u>	<u>(19,956)</u>	<u>(2,976)</u>	<u>(5,117)</u>
PROFIT FOR THE YEAR/ PERIOD		<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
ATTRIBUTABLE TO:						
Equity holders of the Company		18,455	80,663	156,733	23,663	34,627
Minority interests		<u>4,756</u>	<u>15,003</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>23,211</u>	<u>95,666</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY						
— basic	25	<u>HK\$0.026</u>	<u>HK\$0.115</u>	<u>HK\$0.224</u>	<u>HK\$0.034</u>	<u>HK\$0.049</u>

## Consolidated Statements of Changes in Equity

The movements in the consolidated statements of changes in equity of the Group for the Relevant Periods and for the three months ended 31 March 2006, which have been prepared on the basis set out in Section II below are as follows:

	Attributable to equity holders of the Company							Total
	Issued capital	Statutory reserve fund	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2004</b>	—	2,369	—	297	75,220	77,886	—	77,886
Profit for the year	—	—	—	—	18,455	18,455	4,756	23,211
Total income and expense for the year	—	—	—	—	18,455	18,455	4,756	23,211
Acquisition of a subsidiary (Note 28)	—	—	—	—	—	—	31,553	31,553
Transfer from retained profits	—	2,777	—	—	(2,777)	—	—	—
<b>At 31 December 2004 and 1 January 2005</b>	—	5,146	—	297	90,898	96,341	36,309	132,650
Surplus on revaluation, net of deferred tax charge of HK\$732,000 (Notes 5 and 15)	—	—	—	3,453	—	3,453	—	3,453
Exchange realignment	—	—	7,575	—	—	7,575	—	7,575
Contribution from a minority shareholder	—	—	—	—	—	—	11,916	11,916
Total income and expense recognised directly in equity	—	—	7,575	3,453	—	11,028	11,916	22,944
Profit for the year	—	—	—	—	80,663	80,663	15,003	95,666
Total income and expense for the year	—	—	7,575	3,453	80,663	91,691	26,919	118,610
Acquisition of minority interests (Note 28)	—	—	—	—	—	—	(63,228)	(63,228)
Transfer from retained profits	—	9,597	—	—	(9,597)	—	—	—
<b>At 31 December 2005 and 1 January 2006</b>	—	14,743	7,575	3,750	161,964	188,032	—	188,032
Exchange realignment	—	—	12,687	—	—	12,687	—	12,687
Total income and expense recognised directly in equity	—	—	12,687	—	—	12,687	—	12,687
Profit for the year	—	—	—	—	156,733	156,733	—	156,733

	Attributable to equity holders of the Company							Total
	Issued capital	Statutory reserve fund	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total income and expense for the year	—	—	12,687	—	156,733	169,420	—	169,420
Transfer from retained profits	—	17,515	—	—	(17,515)	—	—	—
<b>At 31 December 2006 and 1 January 2007</b>	—	32,258	20,262	3,750	301,182	357,452	—	357,452
Exchange realignment	—	—	13,939	—	—	13,939	—	13,939
Total income and expense recognised directly in equity	—	—	13,939	—	—	13,939	—	13,939
Profit for the period	—	—	—	—	34,627	34,627	—	34,627
Total income and expense for the period	—	—	13,939	—	34,627	48,566	—	48,566
<b>At 31 March 2007</b>	—	32,258	34,201	3,750	335,809	406,018	—	406,018
<b>At 1 January 2006</b>	—	14,743	7,575	3,750	161,964	188,032	—	188,032
Exchange realignment	—	—	—	—	—	—	—	—
Total income and expense recognised directly in equity	—	—	—	—	—	—	—	—
Profit for the period	—	—	—	—	23,663	23,663	—	23,663
Total income and expense for the period	—	—	—	—	23,663	23,663	—	23,663
Transfer from retained profits	—	175	—	—	(175)	—	—	—
<b>At 31 March 2006</b> <i>(unaudited)</i>	—	14,918	7,575	3,750	185,452	211,695	—	211,695

Certain subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to the statutory reserve fund until the reserve reaches 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

## Consolidated Cash Flow Statements

The consolidated cash flow statements of the Group for the Relevant Periods and for the three months ended 31 March 2006, which have been prepared on the basis set out in Section II are as follows:

	Notes	Year ended 31 December			Three months ended	
		2004	2005	2006	31 March	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax		26,357	107,164	176,689	26,639	39,744
Adjustments for:						
Finance costs	22	892	5,688	13,426	2,830	3,412
Interest income	20	(329)	(261)	(846)	(38)	(112)
Depreciation	21	6,094	27,590	27,641	6,497	7,491
Loss on disposal of items of property, plant and equipment	21	—	—	664	—	19
Impairment of trade receivables	21	—	—	1,207	—	—
Write-down of inventories to net realisable value	21	—	—	2,167	—	255
Impairment of prepaid land premiums	21	—	5,886	—	—	—
Amortisation of prepaid land premiums	21	347	1,387	832	212	279
		33,361	147,454	221,780	36,140	51,088
Decrease/(increase) in inventories		(20,847)	8,988	(36,752)	(36,672)	1,965
Decrease/(increase) in trade receivables		(21,409)	(5,991)	(30,589)	4,734	(35,309)
Decrease/(increase) in prepayments, deposits and other receivables		5,451	865	(13,787)	(5,305)	(1,020)
Increase/(decrease) in trade payables		(15,019)	3,859	808	1,863	412
Increase/(decrease) in other payables and accruals		5,048	19,520	(558)	(4,566)	(2,332)
Decrease/(increase) in amounts due from fellow subsidiaries		(8,148)	(254,679)	(71,669)	106,575	(8,985)
Decrease/(increase) in amounts due from jointly-controlled entities		1,674	(5,862)	(7,979)	(6,209)	2,074
Increase/(decrease) in amounts due to jointly-controlled entities		927	2,669	(1,086)	(2,589)	209
Increase/(decrease) in amounts due to fellow subsidiaries		63,248	49,312	8,930	(16,498)	(46,694)
Increase in an amount due to a related company		86	—	26	109	353
Cash generated from/(used in) operations		44,372	(33,865)	69,124	77,582	(38,239)
Interest received		329	261	846	38	112
Income tax paid		(3,361)	(16,843)	(4,627)	—	(6,465)
Net cash inflow/(outflow) from operating activities		41,340	(50,447)	65,343	77,620	(44,592)

	Year ended 31 December			Three months ended 31 March	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000	2007 HK\$'000
Net cash inflow/(outflow) from operating activities	<u>41,340</u>	<u>(50,447)</u>	<u>65,343</u>	<u>77,620</u>	<u>(44,592)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payment of land premiums	—	(8,573)	—	—	—
Purchases of items of property, plant and equipment	(110,314)	(203,779)	(71,818)	(12,328)	(22,053)
Proceeds from disposal of items of property, plant and equipment	552	12	1,496	—	158
Proceeds from disposal of prepaid land premiums	<u>326</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash outflow from investing activities	<u>(109,436)</u>	<u>(212,340)</u>	<u>(70,322)</u>	<u>(12,328)</u>	<u>(21,895)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in amounts due from fellow subsidiaries	—	(16)	(16,750)	(4)	(1,277)
Increase in an amount due to the immediate holding company	21	—	—	—	—
Increase in an amount due to the ultimate holding company	93,902	36,603	2,023	—	—
Increase/(decrease) in an amount due to a minority shareholder	39,206	(27,290)	—	—	—
Increase/(decrease) in amounts due to fellow subsidiaries	11,860	2,993	(15,060)	(9,735)	19,999
New bank and other loans	172,345	35,405	72,516	—	60,000
Repayment of bank loans	(14,112)	(11,538)	(50,981)	(17,308)	(11,625)
Interest paid	<u>(892)</u>	<u>(5,688)</u>	<u>(13,426)</u>	<u>(2,830)</u>	<u>(3,412)</u>
Net cash inflow/(outflow) from financing activities	<u>302,330</u>	<u>30,469</u>	<u>(21,678)</u>	<u>(29,877)</u>	<u>63,685</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents at beginning of year/period	64,074	298,308	66,146	66,146	43,153
Effect of foreign exchange rate changes, net	<u>—</u>	<u>156</u>	<u>3,664</u>	<u>3,260</u>	<u>7,329</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<u><u>298,308</u></u>	<u><u>66,146</u></u>	<u><u>43,153</u></u>	<u><u>104,821</u></u>	<u><u>47,680</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances	<u><u>298,308</u></u>	<u><u>66,146</u></u>	<u><u>43,153</u></u>	<u><u>104,821</u></u>	<u><u>47,680</u></u>



## II. NOTES TO THE FINANCIAL INFORMATION

### 1.1 Corporate Information and Group Reorganisation

The Company is a limited liability company incorporated in the Cayman Islands on 13 June 2006. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Particulars of the subsidiaries comprising the Group and jointly-controlled entities have been set out in the foregoing section.

In the opinion of the directors, the parent is Global Corn Bio-chem Technology Company Limited (“Global Corn Bio-chem”) and the ultimate holding company is Global Bio-chem Technology Group Company Limited (thereafter referred to as the “ultimate holding company”), a company incorporated in the Cayman Islands whose shares are also listed on the Main Board of the Stock Exchange.

During the Relevant Periods, the companies now comprising the Group underwent a group reorganisation (the “Reorganisation”) to rationalise the existing group structure for the purpose of the Company’s proposed listing of its shares on the Main Board of the Stock Exchange.

Prior to the Reorganisation, Global Sweeteners Investments Limited (“Global Sweeteners”) was the immediate holding company of the companies now comprising the Group throughout the Relevant Periods, except for Changchun Dihao Foodstuff Development Co., Ltd. (“Changchun Dihao”) which was acquired by the Group during the Relevant Periods.

Changchun Dihao was acquired by Global Sweeteners (75%) and Dacheng Industrial Enterprise Co., Ltd. (“Dacheng Industrial”) (25%), the minority shareholder of certain subsidiaries of the ultimate holding company which was a related company to the Group at that time, in 2004. Dacheng Industrial has become a fellow subsidiary since 2005 through an acquisition of the entire interest therein by the ultimate holding company via its wholly-owned subsidiary, Global Corn Bio-chem. Since then, the ultimate holding company, through Global Sweeteners and Dacheng Industrial, owned indirectly the entire equity interest in Changchun Dihao.

Pursuant to the Reorganisation, in order to rationalise the existing group structure for the purpose of the Company’s proposed listing as set out in the preceding paragraph, Dacheng Industrial, through a series of transactions, effectively transferred its 25% registered capital in Changchun Dihao to Global Sweeteners, via Eternal Win Investments Limited, for a consideration which is equivalent to the consideration paid by the ultimate holding company for the acquisition of the 25% registered capital in Changchun Dihao in 2005. Global Sweeteners was accordingly assumed to own the remaining 25% registered capital in Changchun Dihao at the time when the ultimate holding company acquired Dacheng Industrial, which was September 2005.

Global Sweeteners (China) Limited (“GS (China)”) acquired the entire interests in certain companies now comprising the Group, namely Shanghai Haocheng Food Development Co., Ltd., Changchun Dihao Crystal Sugar Industry Development Co., Ltd., Eternal Win Investments Limited which owns 25% interest in Changchun Dihao, a 75% interest in Changchun Dihao and a 51% interest in Global-Nikken (H.K.) Company Limited from Global Sweeteners by cash consideration. In the opinion of the directors, the purpose for GS (China)’s aforesaid acquisition is to further streamline the corporate structure of the corn sweeteners business.

The Company then acquired the entire equity interests in GS (China) and Global Sweeteners through a swap of shares and the Reorganisation was completed on 24 August 2007.

### 1.2 Basis of Presentation

The financial information set out above has been prepared using the principle of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if the Reorganisation had been completed as at the beginning of the Relevant Periods because the Company’s acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and all companies now comprising the Group are ultimately controlled by Global Bio-chem Technology Group Company Limited, the ultimate holding company of the Company and all companies now comprising the Group, before and after the Reorganisation, except for Changchun Dihao which was acquired during the Relevant Periods and is accounted for using the purchase method of accounting.

### 1.3 Net Current Liabilities

The Group had consolidated net current liabilities of HK\$135,688,000 at 31 March 2007. The directors of the Company consider that it is appropriate to prepare the Financial Information on a going concern basis because: (i) subsequent to 31 March 2007, in September 2007, the Group entered into a two-year loan agreement of HK\$300 million with a bank to provide additional working capital for the Group; and (ii) the directors of the Company do not anticipate that any of the existing loan lenders would tighten nor withdraw the credit facilities granted to the Group in the foreseeable future.

## 2. Summary of Significant Accounting Policies

### *Basis of preparation*

The Financial Information, which is based on the audited consolidated financial statements of Global Sweeteners, the then intermediate holding company of the companies now comprising the Group, has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The Financial Information has been prepared under the historical cost convention, except for certain property, plant and equipment which have been measured at fair value as further explained below. The Financial Information is presented in Hong Kong dollars ("HK\$").

The HKICPA has issued a number of new and revised HKFRSs, most of which are generally effective for accounting periods beginning on or after 1 January 2005. For the purpose of presenting the Financial Information, the Group and the jointly-controlled entities have early adopted the new and revised HKFRSs throughout the Relevant Periods as follows:

HKAS 1	Presentation of Financial Statements
HKAS 1 Amendment	Capital Disclosures
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 7	Financial Instruments: Disclosures

HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information:

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers.

HKAS 23 (revised) shall be applied for annual periods beginning on or after 1 January 2009. The standard requires capitalisation of borrowing costs, which is directly attributable to the acquisition, construction or production of a qualifying asset, to form part of the cost of that asset.

HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for accounting periods beginning on or after 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

The significant accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform with HKFRSs and accounting principles generally accepted in Hong Kong, are set out below:

#### ***Basis of consolidation***

The Financial Information includes the financial statements of the Company, its subsidiaries and the Group's share of jointly-controlled entities for the Relevant Periods. Except for the results of Changchun Dihao which was acquired during the Relevant Periods, which are accounted for using the purchase method of accounting from its effective date of acquisition, being the date on which the Group obtained control, the results of the companies comprising the Group were presented on a merger accounting basis as described in Note 1.2 above and the results of the jointly-controlled entities are proportionately consolidated throughout the Relevant Periods.

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

***Joint ventures***

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venturer's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

***Jointly-controlled entities***

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

***Goodwill***

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

#### ***Impairment of non-financial assets other than goodwill***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### ***Related parties***

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its holding companies;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or

- (f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2.0%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

***Operating leases***

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

*Financial assets*

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

***Financial liabilities at amortised cost (including interest-bearing loans and borrowings)***

Financial liabilities including trade and other payables, balances due to related parties and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

***Financial guarantee contracts***

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.



***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

***Cash and cash equivalents***

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

***Provisions***

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

***Income tax***

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### ***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

#### ***Revenue recognition***

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### ***Employee benefits***

##### ***Pension schemes and other retirement benefits***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in the retirement benefits schemes (the "PRC RB Schemes") operated by the respective local municipal government in provinces of Mainland China where the group companies operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to the income statement as they become payable in accordance with the rules of the PRC RB Schemes.

#### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets

are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

#### *Dividends*

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### *Foreign currencies*

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### **3. Significant Accounting Estimates**

#### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was HK\$32,839,000, HK\$149,950,000, HK\$149,950,000 and HK\$149,950,000 at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

#### 4. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise bank loans, other loans, trade payables, other payables and balances with related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks which are summarised below.

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's recurring one year term debt obligations with floating interest rates.

##### *Interest rate risk table*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings).

	Change in variables	Increase/(decrease) in profit before tax			Three months ended 31 March 2007 HK\$'000
		Year ended 31 December			
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	
Market indices					
Hong Kong Interbank Offer Rate	+1%	(116)	(116)	(116)	(21)
Hong Kong Interbank Offer Rate	-1%	<u>116</u>	<u>116</u>	<u>116</u>	<u>21</u>

The following table sets out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

31 December 2004

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate							
Loan notes	<u>(6,542)</u>	<u>—</u>	<u>(42,028)</u>	<u>(112,150)</u>	<u>—</u>	<u>—</u>	<u>(160,720)</u>
Floating rate							
Cash assets	298,308	—	—	—	—	—	298,308
Secured bank loan	<u>(11,625)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,625)</u>

31 December 2005

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate							
Loan notes	<u>(25,962)</u>	<u>(43,240)</u>	<u>(115,385)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(184,587)</u>
Floating rate							
Cash assets	66,146	—	—	—	—	—	66,146
Secured bank loan	<u>(11,625)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,625)</u>

31 December 2006

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate							
Loan notes	<u>(63,696)</u>	<u>(117,647)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(181,343)</u>
Floating rate							
Cash assets	43,153	—	—	—	—	—	43,153
Secured bank loan	<u>(11,625)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,625)</u>

31 March 2007

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate							
Loan notes	<u>(74,970)</u>	<u>(120,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(194,970)</u>
Floating rate							
Cash assets	47,680	—	—	—	—	—	47,680
Secured bank loan	<u>—</u>	<u>—</u>	<u>(50,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(50,000)</u>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

*Foreign currency risk*

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Over 90% of the Group's sales and costs are denominated in currencies other than the functional currency of the operating unit making the sale.

*Credit risk*

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

*Liquidity risk*

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and hire purchase contracts. The Group's policy is that not more than 50% of borrowings should mature in the next 12-month period. 37% of the Group's borrowings will mature in less than one year at 31 March 2007 (31 December 2006: 46%, 31 December 2005: 19%, 31 December 2004: 11%) based on the balances reflected in the Financial Information.

The tables below summarise the maturity profile of the Group's financial liabilities of the Relevant Periods based on contractual undiscounted payments.

31 December 2004

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Interest bearing loans and borrowings	—	—	18,167	154,178	172,345
Trade and other payables	37,282	—	—	—	37,282
Balances with related parties	420,557	—	—	—	420,557
	<u>457,839</u>	<u>—</u>	<u>18,167</u>	<u>154,178</u>	<u>630,184</u>

31 December 2005

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Interest bearing loans and borrowings	—	—	37,587	158,625	196,212
Trade and other payables	60,661	—	—	—	60,661
Balances with related parties	653,267	—	—	—	653,267
	<u>713,928</u>	<u>—</u>	<u>37,587</u>	<u>158,625</u>	<u>910,140</u>

31 December 2006

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Interest bearing loans and borrowings	—	—	75,321	117,647	192,968
Other liabilities — other loan	—	—	24,779	—	24,779
Trade and other payables	75,507	—	—	—	75,507
Balances with related parties	648,100	—	—	—	648,100
	<u>723,607</u>	<u>—</u>	<u>100,100</u>	<u>117,647</u>	<u>941,354</u>

31 March 2007

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Interest bearing loans and borrowings	—	10,000	64,970	170,000	244,970
Other liabilities — other loan	—	25,000	—	—	25,000
Trade and other payables	73,060	—	—	—	73,060
Balances with related parties	621,967	—	—	—	621,967
	<u>695,027</u>	<u>35,000</u>	<u>64,970</u>	<u>170,000</u>	<u>964,997</u>

## 5. Property, plant and equipment

Group

	Leasehold buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvements, furniture, office equipment and motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2004</b>					
At 1 January 2004:					
Cost or valuation	17,948	41,445	1,954	171	61,518
Accumulated depreciation	<u>(408)</u>	<u>(4,192)</u>	<u>(726)</u>	<u>—</u>	<u>(5,326)</u>
Net carrying amount	<u>17,540</u>	<u>37,253</u>	<u>1,228</u>	<u>171</u>	<u>56,192</u>
At 1 January 2004, net of accumulated depreciation					
	17,540	37,253	1,228	171	56,192
Additions	1,160	920	982	95,776	98,838
Acquisition of a subsidiary ( <i>Note 28</i> )	42,917	36,169	915	5,552	85,553
Disposals	(114)	(2)	(386)	(50)	(552)
Depreciation provided during the year	(1,139)	(4,383)	(572)	—	(6,094)
Transfers	<u>314</u>	<u>109</u>	<u>—</u>	<u>(423)</u>	<u>—</u>
At 31 December 2004, net of accumulated depreciation					
	<u>60,678</u>	<u>70,066</u>	<u>2,167</u>	<u>101,026</u>	<u>233,937</u>
At 31 December 2004:					
Cost or valuation	65,189	88,367	3,850	101,026	258,432
Accumulated depreciation	<u>(4,511)</u>	<u>(18,301)</u>	<u>(1,683)</u>	<u>—</u>	<u>(24,495)</u>
Net carrying amount	<u>60,678</u>	<u>70,066</u>	<u>2,167</u>	<u>101,026</u>	<u>233,937</u>
Analysis of cost or valuation:					
At cost	47,241	88,367	3,850	101,026	240,484
At 31 December 2003 valuation	<u>17,948</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,948</u>
	<u>65,189</u>	<u>88,367</u>	<u>3,850</u>	<u>101,026</u>	<u>258,432</u>



	Leasehold buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvements, furniture, office equipment and motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2005</b>					
At 1 January 2005:					
Cost or valuation	65,189	88,367	3,850	101,026	258,432
Accumulated depreciation	(4,511)	(18,301)	(1,683)	—	(24,495)
Net carrying amount	<u>60,678</u>	<u>70,066</u>	<u>2,167</u>	<u>101,026</u>	<u>233,937</u>
At 1 January 2005, net of accumulated depreciation					
Cost or valuation	60,678	70,066	2,167	101,026	233,937
Additions	26,517	138,196	2,997	48,416	216,126
Depreciation provided during the year	(6,598)	(19,740)	(1,252)	—	(27,590)
Transfers	52,379	94,997	—	(147,376)	—
Disposals	—	—	(12)	—	(12)
Surplus on revaluation	4,185	—	—	—	4,185
Exchange realignment	1,748	2,022	63	2,915	6,748
At 31 December 2005, net of accumulated depreciation	<u>138,909</u>	<u>285,541</u>	<u>3,963</u>	<u>4,981</u>	<u>433,394</u>
At 31 December 2005:					
Cost or valuation	150,018	323,582	6,898	4,981	485,479
Accumulated depreciation	(11,109)	(38,041)	(2,935)	—	(52,085)
Net carrying amount	<u>138,909</u>	<u>285,541</u>	<u>3,963</u>	<u>4,981</u>	<u>433,394</u>
Analysis of cost or valuation:					
At cost	—	323,582	6,898	4,981	335,461
At 31 December 2005 valuation	150,018	—	—	—	150,018
	<u>150,018</u>	<u>323,582</u>	<u>6,898</u>	<u>4,981</u>	<u>485,479</u>
<b>31 December 2006</b>					
At 1 January 2006:					
Cost or valuation	150,018	323,582	6,898	4,981	485,479
Accumulated depreciation	(11,109)	(38,041)	(2,935)	—	(52,085)
Net carrying amount	<u>138,909</u>	<u>285,541</u>	<u>3,963</u>	<u>4,981</u>	<u>433,394</u>
At 1 January 2006, net of accumulated depreciation					
Cost or valuation	138,909	285,541	3,963	4,981	433,394
Additions	137	9,210	1,981	73,254	84,582
Depreciation provided during the year	(4,699)	(22,034)	(908)	—	(27,641)
Disposals	—	(568)	(1,532)	(60)	(2,160)
Transfers	6,046	20,086	—	(26,132)	—
Exchange realignment	2,642	5,599	78	98	8,417
At 31 December 2006, net of accumulated depreciation	<u>143,035</u>	<u>297,834</u>	<u>3,582</u>	<u>52,141</u>	<u>496,592</u>
At 31 December 2006:					
Cost or valuation	158,843	357,909	7,425	52,141	576,318
Accumulated depreciation	(15,808)	(60,075)	(3,843)	—	(79,726)
Net carrying amount	<u>143,035</u>	<u>297,834</u>	<u>3,582</u>	<u>52,141</u>	<u>496,592</u>
Analysis of cost or valuation:					
At cost	8,825	357,909	7,425	52,141	426,300
At 31 December 2005 valuation	150,018	—	—	—	150,018
	<u>158,843</u>	<u>357,909</u>	<u>7,425</u>	<u>52,141</u>	<u>576,318</u>

	Leasehold buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvements, furniture, office equipment and motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 March 2007</b>					
At 1 January 2007:					
Cost or valuation	158,843	357,909	7,425	52,141	576,318
Accumulated depreciation	(15,808)	(60,075)	(3,843)	—	(79,726)
Net carrying amount	<u>143,035</u>	<u>297,834</u>	<u>3,582</u>	<u>52,141</u>	<u>496,592</u>
At 1 January 2007, net of					
accumulated depreciation	143,035	297,834	3,582	52,141	496,592
Additions	—	378	485	21,189	22,052
Depreciation provided during the period	(1,123)	(6,066)	(302)	—	(7,491)
Disposals	—	—	(164)	(13)	(177)
Transfers	180	—	—	(180)	—
Exchange realignment	2,780	5,959	75	1,041	9,855
At 31 March 2007, net of accumulated depreciation	<u>144,872</u>	<u>298,105</u>	<u>3,676</u>	<u>74,178</u>	<u>520,831</u>
At 31 March 2007:					
Cost or valuation	161,803	364,246	7,821	74,178	608,048
Accumulated depreciation	(16,931)	(66,141)	(4,145)	—	(87,217)
Net carrying amount	<u>144,872</u>	<u>298,105</u>	<u>3,676</u>	<u>74,178</u>	<u>520,831</u>
Analysis of cost or valuation:					
At cost	11,785	364,246	7,821	74,178	458,030
At 31 December 2005 valuation	150,018	—	—	—	150,018
	<u>161,803</u>	<u>364,246</u>	<u>7,821</u>	<u>74,178</u>	<u>608,048</u>

The Group's leasehold buildings were stated at the recent valuation less accumulated depreciation and impairment. At 31 December 2004, the Group's leasehold buildings were stated at the 2003 valuation conducted by Chesterton Petty Limited, independent professionally qualified valuers. At 31 December 2005, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at about HK\$150,018,000. A surplus on revaluation of about HK\$4,185,000 arising from the 2005 valuation had been credited to the asset revaluation reserve during the year ended 31 December 2005. At 31 December 2006 and 31 March 2007, the Group's leasehold buildings were stated at the 2005 valuation less accumulated depreciation provided since 2005 valuation. In the opinion of the directors, there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2006 and 31 March 2007 and, accordingly, no revaluation has been performed as at those dates.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been about HK\$60,678,000, HK\$134,724,000, HK\$138,850,000 and HK\$140,687,000, as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

Certain of the Group's leasehold buildings with aggregate net carrying values of about HK\$13,248,000 and HK\$13,046,000 as at 31 December 2004 and 2005, respectively, were pledged to secure bank loans granted to the Group (*Note 11*). As at 31 December 2006 and 31 March 2007, no leasehold buildings were pledged.

Building certificates for leasehold buildings purchased by a jointly-controlled entity in June 2005 with a carrying amount of HK\$8,723,000 as at 31 March 2007 have been obtained subsequent to 31 March 2007.

The application of building certificates for leasehold buildings purchased by a subsidiary of the Group in December 2006 with a carrying amount of HK\$3,954,000 as at 31 March 2007 was still in progress.

#### 6. Prepaid land premiums

*Group*

	31 December		31 March	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 January	4,873	23,072	25,043	24,817
Additions	—	8,573	—	—
Disposal	(326)	—	—	—
Acquisition of a subsidiary ( <i>Note 28</i> )	18,872	—	—	—
Impairment	—	(5,886)	—	—
Amortised during the year/period	(347)	(1,387)	(832)	(279)
Exchange realignment	—	671	606	604
	<u>23,072</u>	<u>25,043</u>	<u>24,817</u>	<u>25,142</u>
Carrying amount at end of the year/period	23,072	25,043	24,817	25,142
Current portion included in prepayments, deposits and other receivables	<u>(333)</u>	<u>(464)</u>	<u>(832)</u>	<u>(832)</u>
Non-current portion	<u>22,739</u>	<u>24,579</u>	<u>23,985</u>	<u>24,310</u>

The land premiums are situated outside Hong Kong.

Titles of the land premiums held by:	Original lease terms
Changchun Dihao	39 years
Hao Cheng	50 years
CDNP	35 years
GCHF	48 years

## 7. Goodwill

*Group*

		31 December		31 March	
		2004	2005	2006	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January:					
Cost		—	32,839	149,950	149,950
Accumulated amortisation		—	—	—	—
Net carrying amount		—	32,839	149,950	149,950
Cost at 1 January, net of accumulated amortisation		—	32,839	149,950	149,950
Acquisition of a subsidiary	28	32,839	—	—	—
Acquisition of minority interests	28	—	117,111	—	—
Carrying amount at end of the year/period		32,839	149,950	149,950	149,950
At end of the year/period:					
Cost		32,839	149,950	149,950	149,950
Accumulated amortisation		—	—	—	—
Net carrying amount		32,839	149,950	149,950	149,950

*Impairment testing of goodwill*

The Group's goodwill related to Changchun Dihao which was acquired by the Group during the years ended 31 December 2004 and 2005 (*Note 28*).

The recoverable amount of Changchun Dihao has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 7%. No growth has been projected beyond the three-year period.

Key assumptions were used in the value in use calculation of this cash-generating unit for each of the balance sheet dates. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Discount rates* — The discount rates used are before tax and reflect specific risks relating to the relevant unit.

*Raw materials price inflation* — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for the local market from where raw materials are sourced. The values assigned to key assumptions are consistent with external information sources.

No impairment loss provision for the carrying value of goodwill has been considered necessary by management as at 31 December 2004, 2005 and 2006 and 31 March 2007.

**8. Inventories***Group*

	31 December		31 March	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	27,007	19,037	41,987	37,172
Work in progress	432	1,763	1,467	1,102
Finished goods	14,915	12,566	25,592	28,552
	<u>42,354</u>	<u>33,366</u>	<u>69,046</u>	<u>66,826</u>

The amount of write-down of inventories recognised as expense were nil, nil, HK\$2,167,000 and HK\$255,000 as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

**9. Trade receivables**

The Group trades with group companies, jointly-controlled entities and third parties. The balances with fellow subsidiaries and jointly-controlled entities arising from trading activities are classified as amounts due from fellow subsidiaries and jointly-controlled entities, respectively, as detailed in note 14. With respect to sales to third party customers, the Group normally allows credit terms to established customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

*Group*

	31 December		31 March	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	37,620	47,176	52,615	65,547
1 to 2 months	6,814	6,640	27,528	39,702
2 to 3 months	5,494	3,099	11,054	13,358
Over 3 months	12,805	11,809	6,909	14,808
	<u>62,733</u>	<u>68,724</u>	<u>98,106</u>	<u>133,415</u>

The trade receivables with nominal values of HK\$3,416,000, HK\$3,518,000, HK\$4,895,000 and HK\$4,912,000 were impaired and fully provided for as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

Movements in the provision for impairment of trade receivables for the Relevant Periods were as follows:

	31 December		31 March	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	3,210	3,416	3,518	4,895
Charge for the year/period	—	—	1,207	—
Exchange realignment	—	102	170	17
Acquisition of Changchun Dihao	206	—	—	—
At end of year/period	<u>3,416</u>	<u>3,518</u>	<u>4,895</u>	<u>4,912</u>

The analysis of trade receivables that were past due but not impaired for the Relevant Periods were as follows:

	31 December		31 March	
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	49,928	56,915	91,197	118,607
Past due but not impaired aged over 3 months	<u>12,805</u>	<u>11,809</u>	<u>6,909</u>	<u>14,808</u>
Total	<u>62,733</u>	<u>68,724</u>	<u>98,106</u>	<u>133,415</u>

#### 10. Cash and bank balances

At 31 December 2004, 2005 and 2006 and 31 March 2007, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$256,585,000, HK\$59,956,000, HK\$32,317,000 and HK\$39,525,000, respectively. The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

## 11. Interest-bearing bank and other borrowings

*Group*

	Effective interest rate (%)		2004 HK\$'000	31 December 2005 HK\$'000	2006 HK\$'000	31 March 2007 HK\$'000
<b>Current</b>						
Bank loans — secured	5.31–6.336		18,167	37,587	75,321	74,970
Other loan — unsecured	—		—	—	24,779	25,000
			<u>18,167</u>	<u>37,587</u>	<u>100,100</u>	<u>99,970</u>
	Effective interest rate (%)	Maturity				
<b>Non-current</b>						
Bank loans — secured	6.336–6.435	2007– 2008	154,178	158,625	117,647	120,000
	6.300	2010	—	—	—	50,000
			<u>154,178</u>	<u>158,625</u>	<u>117,647</u>	<u>170,000</u>
Total			<u>172,345</u>	<u>196,212</u>	<u>217,747</u>	<u>269,970</u>
<b>Analysed into:</b>						
Bank loans repayable:						
Within one year			18,167	37,587	75,321	74,970
In the second year			—	43,240	117,647	120,000
In the third to fifth years, inclusive			<u>154,178</u>	<u>115,385</u>	<u>—</u>	<u>50,000</u>
			172,345	196,212	192,968	244,970
Other loan repayable within one year			<u>—</u>	<u>—</u>	<u>24,779</u>	<u>25,000</u>
			<u>172,345</u>	<u>196,212</u>	<u>217,747</u>	<u>269,970</u>
<b>Other interest rate information:</b>						
<b>Bank loans</b>						
Fixed rate			160,720	184,587	181,343	194,970
Floating rate			11,625	11,625	11,625	50,000
Interest-free			<u>—</u>	<u>—</u>	<u>24,779</u>	<u>25,000</u>
			<u>172,345</u>	<u>196,212</u>	<u>217,747</u>	<u>269,970</u>

The Group's other loan was advanced by a third party, which is interest-free and repayable within one year. Except for the floating rate bank loan which is denominated in United States dollars, all borrowings are denominated in Renminbi.

The carrying amounts of bank and other loans approximated to their fair values.

The Group's bank loans are secured by the following:

	Note	31 December		31 March	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Leasehold buildings of the Group, at carrying amounts	5	13,248	13,046	—	—
Corporate guarantees given by the fellow subsidiaries of the Group		<u>169,291</u>	<u>182,663</u>	<u>171,539</u>	<u>254,970</u>

Applications have been made to and consents have been obtained from the bankers for the guarantees provided by the fellow subsidiaries to be released upon the listing of the Company's shares on the Stock Exchange and replaced by corporate guarantees and/or other security to be provided by the Company and/or other members of the Group.

## 12. Trade payables

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers. Trade payables are unsecured and interest-free.

An aged analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	31 December		31 March	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Within 1 month	8,609	4,556	11,020	9,736
1 to 2 months	1,463	3,964	1,915	3,223
2 to 3 months	1,718	2,661	1,496	1,266
Over 3 months	<u>2,920</u>	<u>7,388</u>	<u>4,946</u>	<u>5,564</u>
	<u>14,710</u>	<u>18,569</u>	<u>19,377</u>	<u>19,789</u>

## 13. Tax recoverable

Tax recoverable represented the excess of corporate income tax paid in the PRC over the estimated tax liability of the Group at the respective balance sheet dates.

## 14. Balances with related parties

### (a) Balances with group companies

The balances with the ultimate holding company, immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with these group companies approximate to their fair values at each of the balance sheet dates. About HK\$8,282,000, HK\$262,961,000, HK\$334,630,000 and HK\$343,615,000 of balances due from fellow subsidiaries arose from trading activities at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively. About HK\$93,756,000, HK\$143,068,000, HK\$151,998,000 and HK\$105,304,000 of balances due to fellow subsidiaries arose from trading activities at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively. The remaining balances with group companies arose from fund transfers between group companies. The balances with group companies will be settled prior to the listing of the Company's shares on the Stock Exchange.

### (b) Loan to a jointly-controlled entity

The long term loan due from a jointly-controlled entity is unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly-controlled entity, whichever is earlier. The loan to a jointly-controlled entity represented a quasi-equity loan which is stated at cost less impairment.



The Group has proportionally consolidated the balance sheets of its jointly-controlled entities. However, since the Group has no legal right to offset the long term loan to the jointly-controlled entity of HK\$40,000,000 against the venturer's share of liability of that jointly-controlled entity of HK\$20,000,000, the balance was not eliminated.

(c) *Balances with jointly-controlled entities*

The balances with jointly-controlled entities arose from trading activities and are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances approximated to their fair values at each of the balance sheet dates.

(d) *Balance with a related company*

At each of the balance sheet dates, the Group had a balance due to a related company, in which a shareholder of a jointly-controlled entity of the Group has beneficial interest. This balance is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance approximated to its fair value at each of the balance sheet dates. The balance with the related company arose from a fund transfer, which will be settled prior to the listing of the Company's shares on the Stock Exchange.

(e) *Balance with a minority shareholder*

At 31 December 2004, the balance was due to the minority shareholder of Changchun Dihao. The balance was unsecured, interest-free and had no fixed terms of repayment. This balance represented the additional capital received by Changchun Dihao after 31 December 2004.

## 15. Deferred tax liabilities

The movements in deferred tax liabilities during the Relevant Periods are as follows:

*Group*

	<i>Note</i>	<b>Depreciation allowance in excess of related depreciation</b> <i>HK\$'000</i>	<b>Revaluation of leasehold buildings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2004, 31 December 2004 and 1 January 2005:		—	—	—
Deferred tax charged to:				
— income statement during the year	24	2,224	—	2,224
— asset revaluation reserve		—	732	732
At 31 December 2005 and 1 January 2006		2,224	732	2,956
Deferred tax charged to:				
— income statement during the year	24	901	—	901
At 31 December 2006 and 1 January 2007		3,125	732	3,857
Deferred tax charged to:				
— income statement during the period	24	179	—	179
At 31 March 2007		3,304	732	4,036

At 31 December 2004, 2005 and 2006 and 31 March 2007, deferred tax liabilities provided by the Group were nil, HK\$732,000, HK\$732,000 and HK\$732,000, respectively, arising from the revaluation of leasehold buildings.

Certain subsidiaries of the Group had tax losses arising in Hong Kong of about HK\$2,457,000, HK\$2,162,000, HK\$4,961,000 and HK\$73,000 for the years ended 31 December 2004, 2005 and 2006 and for the three months ended 31 March 2007, respectively, that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Certain other subsidiaries of the Group had tax losses arising in Mainland China of about HK\$3,286,000, HK\$2,574,000, HK\$11,894,000 and HK\$2,890,000 for the years ended 31 December 2004, 2005 and 2006 and for the three months ended 31 March 2007, respectively, that were available for offsetting against future taxable profits of the companies in which the losses arose, which will expire from the years ending 31 December 2009 to 31 December 2012. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available to offset against where the tax losses can be utilised.

At 31 December 2004, 2005 and 2006 and 31 March 2007, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

#### 16. Share capital

The paid-up capital as at the respective balance sheet dates included in the consolidated balance sheets represented the issued and fully paid-up share capital of Global Sweeteners, the then intermediate holding company of the companies now comprising the Group.

The Company was incorporated with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.1 each. Upon incorporation, one ordinary share of HK\$0.1 each was issued at par nil paid. On the same date, 999,999 ordinary shares of HK\$0.1 each were issued at par nil paid.

Changes in the Company's authorised and issued share capital subsequent to 31 March 2007 are disclosed in Appendix V to the Prospectus.

#### 17. Reserves

The movements of the Group's reserves therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I.

#### 18. Capital commitments

##### *Group*

	<b>31 December</b>			<b>31 March</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:				
Leasehold buildings	2,741	49	33,563	3,857
Plant and machinery	—	—	13,779	573
	<u>2,741</u>	<u>49</u>	<u>47,342</u>	<u>4,430</u>

#### 19. Contingent liabilities

During the Relevant Periods, the Group provided guarantees for banking facilities granted to certain fellow subsidiaries. These fellow subsidiaries utilised the banking facilities to the extent of about HK\$46,729,000, HK\$48,077,000, HK\$19,608,000 and HK\$20,000,000 as at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively.

**20. Revenue and other income**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods supplied to customers after allowances for returns, trade discounts and value-added tax.

An analysis of revenue and other income is as follows:

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March 2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
<b>Revenue</b>					
Sale of goods	<u>265,016</u>	<u>824,972</u>	<u>1,144,141</u>	<u>212,035</u>	<u>336,350</u>
<b>Other income</b>					
Interest income	329	261	846	38	112
Net profit arising from sale of packaging materials and by-products	1,698	1,691	4,339	796	2,313
Others	<u>318</u>	<u>226</u>	<u>403</u>	<u>89</u>	<u>339</u>
	<u>2,345</u>	<u>2,178</u>	<u>5,588</u>	<u>923</u>	<u>2,764</u>

**21. Profit before tax**

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Three months ended	
		2004	2005	2006	31 March 2006	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>	
Raw materials and consumables used		175,842	560,677	774,227	146,541	248,874
Depreciation	5	6,094	27,590	27,641	6,497	7,491
Impairment of prepaid land premiums	6	—	5,886	—	—	—
Amortisation of prepaid land premiums	6	347	1,387	832	212	279
Auditors' remuneration		19	157	3,185	—	—
Loss on disposal of items of property, plant and equipment		—	—	664	—	19
Impairment of trade receivables		—	—	1,207	—	—
Write-down of inventories to net realisable value		—	—	2,167	—	255
Foreign exchange differences, net		73	992	(1,034)	—	(103)
Employee benefits expense:						
Wages and salaries, including direct labour costs as recorded in the cost of sales		5,404	7,515	11,811	2,588	4,424
Pension costs		<u>700</u>	<u>790</u>	<u>2,064</u>	<u>277</u>	<u>776</u>
		<u>6,104</u>	<u>8,305</u>	<u>13,875</u>	<u>2,865</u>	<u>5,200</u>

**22. Finance costs***Group*

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
				<i>(unaudited)</i>	
Interest on bank loans wholly repayable within five years	892	12,034	13,426	2,830	3,412
Less: Government grants*	—	(6,346)	—	—	—
	<u>892</u>	<u>5,688</u>	<u>13,426</u>	<u>2,830</u>	<u>3,412</u>

\* *Government grants represented non-refundable interest subsidy granted by the State Government for a specific construction project carried out by a subsidiary of the Group. Such subsidy was offset against the finance costs in accordance with HKAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" issued by the HKICPA.*

**23. Directors' remuneration and the five highest paid employees**(a) *Directors' remuneration*

Directors' remuneration during the Relevant Periods and the three months ended 31 March 2006, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
				<i>(unaudited)</i>	
Fees	—	—	—	—	—
Other emoluments					
Salaries, allowances and benefits in kind	69	96	60	5	5
	<u>69</u>	<u>96</u>	<u>60</u>	<u>5</u>	<u>5</u>

	Year ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind					
<b>Executive directors:</b>					
Mr. Kong Zhanpeng	—	—	—	—	—
Ms. Wang Guifeng	—	—	—	—	—
Mr. Zhang Fusheng	33	35	—	—	—
Ms. Ge Yanping	36	61	60	5	5
	<u>69</u>	<u>96</u>	<u>60</u>	<u>5</u>	<u>5</u>
<b>Non-executive directors:</b>					
Ms. Fung Siu Wan Stella	—	—	—	—	—
Mr. Yan Man Sing Frankie	—	—	—	—	—
Mr. Ho Lic Ki	—	—	—	—	—
Mr. Gao Yunchun	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) *Five highest paid employees*

The details of the remuneration of the non-directors, five highest paid employees for the Relevant Periods are set out below:

*Group*

	Year ended 31 December			Three months ended 31 March	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	479	599	600	165	179
Pension scheme contributions	26	46	42	11	11
Bonuses paid and payable	—	—	—	—	—
	<u>505</u>	<u>645</u>	<u>642</u>	<u>176</u>	<u>190</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March 2006	2007
				(unaudited)	
Nil to HK\$500,000	5	5	5	5	5
<b>24. Tax</b>					

During the year ended 31 December 2004, Hong Kong profits tax was provided for at a rate of 17.5% on the estimated assessable profits arising in Hong Kong for that year. During the years ended 31 December 2005 and 2006 and the three months ended 31 March 2006 and 2007, no Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the prevailing rates in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. All of the Group's subsidiaries and jointly-controlled entities operating in Mainland China are exempted from the PRC corporate income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from the PRC corporate income tax for the following three years.

The validity periods of the preferential tax exemptions enjoyed by the following PRC subsidiaries and jointly-controlled entities are as follows:

	<u>Statutory tax rate</u>	<u>First profitable year</u>
Changchun Dihao*	33%	2000
GCHF	33%	2006
Hao Cheng	33%	2001
Dihao Crystal	33%	Tax Loss
CDNP	33%	Tax Loss

\* *Changchun Dihao, which was granted Technological Advanced Enterprise status, was entitled a lower applicable tax rate of 10% for the Relevant Periods according to Article 75 of the Detailed Rules and Regulations for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises.*

	Note	Year ended 31 December			Three months ended	
		2004	2005	2006	31 March	
		HK\$'000	HK\$'000	HK\$'000	2006	2007
					(unaudited)	
Group						
Current — Hong Kong		51	—	—	—	—
Current — Elsewhere		3,095	9,274	19,055	2,750	4,938
Deferred	15	—	2,224	901	226	179
		3,146	11,498	19,956	2,976	5,117

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory tax rates for the places in which the Group are domiciled to the tax position at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

*Year ended 31 December 2004*

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>			
Profit/(loss) before tax	(2,457)	28,814	26,357
Tax at the statutory tax rates	(430)	9,509	9,079
Preferential statutory tax rate offered	—	(1,268)	(1,268)
Lower tax rate for tax relief granted	—	(7,492)	(7,492)
Expenses not deductible for tax	—	1,014	1,014
Tax losses not recognised	481	1,084	1,565
Others	—	248	248
Tax charge at the Group's effective rate of 11.9%	51	3,095	3,146

*Year ended 31 December 2005*

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>			
Profit/(loss) before tax	(2,162)	109,326	107,164
Tax at the statutory tax rates	(378)	36,077	35,699
Preferential statutory tax rate offered	—	(20,101)	(20,101)
Lower tax rate for tax relief granted	—	(9,440)	(9,440)
Expenses not deductible for tax	—	122	122
Tax losses not recognised	378	2,379	2,757
Others	—	2,461	2,461
Tax charge at the Group's effective rate of 10.7%	—	11,498	11,498

*Year ended 31 December 2006*

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>			
Profit/(loss) before tax	(4,961)	181,650	176,689
Tax at the statutory tax rates	(868)	59,945	59,077
Preferential statutory tax rate offered	—	(33,787)	(33,787)
Lower tax rate for tax relief granted	—	(11,989)	(11,989)
Unrecognised tax losses	868	4,359	5,227
Others	—	1,428	1,428
Tax charge at the Group's effective rate of 11.3%	—	19,956	19,956

*Three months ended 31 March 2006 (unaudited)*

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>			
Profit/(loss) before tax	(281)	26,920	26,639
Tax at the statutory tax rate	(49)	8,884	8,835
Preferential statutory tax rate offered	—	(4,805)	(4,805)
Lower tax rate for tax relief granted	—	(1,798)	(1,798)
Unrecognised tax losses	49	374	423
Others	—	321	321
Tax charge at the Group's effective rate of 11.2%	—	2,976	2,976

*Three months ended 31 March 2007*

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>			
Profit/(loss) before tax	(73)	39,817	39,744
Tax at the statutory tax rate	(13)	13,140	13,127
Preferential statutory tax rate offered	—	(7,226)	(7,226)
Lower tax rate for tax relief granted	—	(2,309)	(2,309)
Unrecognised tax losses	13	737	750
Others	—	775	775
Tax charge at the Group's effective rate of 12.8%	—	5,117	5,117

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law on the Group cannot be reasonably estimated at this stage.



## 25. Earnings per share attributable to ordinary equity holders of the Company

	Year ended 31 December			Three months ended	
	2004	2005	2006	31 March	
	HK\$'000	HK\$'000	HK\$'000	2006	2007
				<i>(unaudited)</i>	
Profit for the year attributable to equity holders of the Company	<u>18,455</u>	<u>80,663</u>	<u>156,733</u>	<u>23,663</u>	<u>34,627</u>
Number of ordinary shares	<u>700,000,000</u>	<u>700,000,000</u>	<u>700,000,000</u>	<u>700,000,000</u>	<u>700,000,000</u>
Earnings per share (HK\$)	<u>0.026</u>	<u>0.115</u>	<u>0.224</u>	<u>0.034</u>	<u>0.049</u>

The number of ordinary shares used therein for the calculation of earnings per share above is based on the assumption that 700,000,000 shares, representing the number of the shares of the Company outstanding immediately before the Share Offer, had been issued throughout the Relevant Periods and the three months ended 31 March 2006.

Diluted earnings per share amounts have not been disclosed because no diluting events existed during the Relevant Periods and the three months ended 31 March 2006.

## 26. Related party transactions

The Group and the jointly-controlled entities had the following continuing and discontinued transactions with related parties during the Relevant Periods and the three months ended 31 March 2006.

	Notes	Year ended 31 December			Three months ended	
		2004	2005	2006	31 March	
		HK\$'000	HK\$'000	HK\$'000	2006	2007
					<i>(unaudited)</i>	
<b>Discontinued:</b>						
Purchases from fellow subsidiaries						
— lysine	(a)	4,073	999	—	—	—
— raw materials	(a)	—	—	515	380	3
Sales to fellow subsidiaries						
— biotin	(b)	719	—	—	—	—
— raw materials	(b)	—	—	824	—	12
Training expenses charged by a related company	(c)	<u>132</u>	<u>—</u>	<u>—</u>	<u>93</u>	<u>—</u>

	Notes	Year ended 31 December			Three months ended	
		2004	2005	2006	31 March 2006	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
<b>Continuing:</b>						
Purchases from fellow subsidiaries						
— corn starch slurry	(d)	226,413	545,056	794,722	165,748	232,475
Purchases from jointly-controlled entities						
— corn sweeteners	(d)	—	—	3,559	87	2,409
Sales to fellow subsidiaries						
— corn sweeteners	(e)	6,125	375,233	456,798	93,052	137,662
— sorbitol	(e)	—	2,892	2,924	2,158	1,250
Sales to a jointly-controlled entity						
— corn sweeteners	(e)	—	5,342	30,112	5,245	4,731
Utility cost charged to a jointly-controlled entity	(f)	1,127	2,945	4,247	1,345	1,014
Utility cost charged by a fellow subsidiary	(f)	12,904	45,062	56,137	12,100	16,249
Sales commission paid to a related company	(g)	<u>930</u>	<u>728</u>	<u>3,043</u>	<u>332</u>	<u>341</u>

*Notes:*

- (a) During the Relevant Periods and the three months ended 31 March 2006, the Group sourced materials from fellow subsidiaries for its production of corn sweeteners and finished goods from fellow subsidiaries for resale. These purchases were made at prices based on the mutual agreements between the parties.
- (b) The Group sold finished goods and raw materials to fellow subsidiaries during the Relevant Periods. These sales were made at prices mutually agreed between the parties.
- (c) The training expenses were charged at cost by a related company for the provision of technical training to the staff of a jointly-controlled entity. The joint venture partner of this jointly-controlled entity has a beneficial interest in this related company.
- (d) During the Relevant Periods and the three months ended 31 March 2006, the Group sourced corn starch slurry from fellow subsidiaries for its production of corn sweeteners products and corn sweeteners products from jointly-controlled entities for resale. These purchases were made at prices based on the mutual agreement between the parties. In the opinion of the directors, the prices of corn starch slurry were determined with reference to the prevailing market prices of corn starch after deducting savings from dehumidifying, packaging, transportation, storage costs and other related costs and the prices of corn sweeteners products were determined with reference to the prevailing market prices. In the opinion of the directors, these purchases were conducted on normal commercial terms and in the ordinary and usual course.
- (e) The Group sold corn sweeteners products and sorbitol to fellow subsidiaries and jointly-controlled entity during the Relevant Periods and the three months ended 31 March 2006. These sales were made at prices mutually agreed between the parties. In the opinion of the directors, the prices were determined with reference to the prevailing market prices and the transactions were conducted on normal commercial terms and in the ordinary and usual course.

- (f) During the Relevant Periods and the three months ended 31 March 2006, the Group used the utility facilities provided by a fellow subsidiary and a jointly-controlled entity used the utility facilities provided by the Group. A reimbursement of such utility costs was paid to the fellow subsidiary and the Group based on the actual costs incurred.
- (g) The commission was paid to the joint venture partner of a jointly-controlled entity of the Group who acted as an sales agent on behalf of that jointly-controlled entity. According to the agreement between these parties, the commission paid to this related company was calculated based on 5% on the successful sales amounts, which include the cost of goods and related selling expenses.

Other transactions with related parties:

- (h) Since the year ended 31 December 2004, a fellow subsidiary issued guarantees for a jointly-controlled entity to secure its bank loans with a maximum amount of HK\$15,113,000. At 31 December 2004, 2005 and 2006, HK\$11,625,000, HK\$11,625,000 and HK\$11,625,000 of such loans were utilised by this jointly-controlled entity, respectively. The loans have been repaid by 31 March 2007 and no guarantee has been issued thereafter.
- (i) During the year ended 31 December 2005, a jointly-controlled entity of the Group, Changchun Dacheng Nikken Polyols Co., Ltd., purchased a piece of land for the construction of its sorbitol plant from Dacheng Industrial, at a cash consideration of RMB17,417,000 (equivalent to about HK\$16,278,000), which was determined with reference to the valuation report issued by a local independent valuer. Dacheng Industrial is currently a fellow subsidiary of the Group but was the minority shareholder of certain fellow subsidiaries of the Group prior to September 2005.
- (j) Changchun Dihao's bank loans, including term loans, were secured by corporate guarantees provided by the ultimate holding company and certain fellow subsidiaries which amounted to RMB164,970,000, RMB179,970,000, RMB164,970,000 and RMB244,970,000 at 31 December 2004, 2005 and 2006 and 31 March 2007, respectively. Pursuant to the written consents provided by the respective banks, the guarantees will be released upon the listing of the Company's shares on the Stock Exchange.
- (k) During the Relevant Periods, the Group shared certain staff quarters, sales networks, sales staff and administrative staff which were provided by the ultimate holding company. No reimbursement of such costs has been made during the Relevant Periods. In the opinion of the directors, had the ultimate holding company charged the Group in relation to its provision of the staff quarters, the Group would incur additional costs of HK\$7,000, HK\$22,000, HK\$26,000 and HK\$6,500 for the years ended 31 December 2004, 2005 and 2006 and for the three months ended 31 March 2007, respectively.
- (l) During the Relevant Periods and subsequent to 31 March 2007, the Group participated in the group reorganisation and entered into a series of transactions which have been detailed in Note 1.1 in Section II of this report and Appendix V of this Prospectus.
- (m) Subsequent to 31 March 2007, the Group purchased a parcel of land from a fellow subsidiary at consideration of approximately HK\$3.6 million. Details of which have been disclosed in Section III of this report.

Compensation of key management personnel of the Group:

	Year ended 31 December			Three months ended	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term employee benefits	841	1,107	1,324	95	101
Post-employment benefits	<u>105</u>	<u>149</u>	<u>168</u>	<u>37</u>	<u>42</u>
Total compensation paid to key management personnel	<u>946</u>	<u>1,256</u>	<u>1,492</u>	<u>132</u>	<u>143</u>

Further details of directors' emoluments are included in note 23 to the Financial Information.

## 27. Segment information

Over 90% of the Group's operation relates to the manufacture and sale of corn based sweetener products and over 90% of the Group's products were sold to customers based in Mainland China. Accordingly, no segment information has been disclosed.

## 28. Business combination

### *Acquisition of Changchun Dihao*

During the year ended 31 December 2004, the Group acquired 75% registered capital of Changchun Dihao from third parties at a consideration of HK\$127,500,000 (the "2004 Acquisition"), and during the year ended 31 December 2005, the Group acquired the remaining 25% registered capital of Changchun Dihao pursuant to the Group Reorganisation as detailed in Section II Note 1.1 to this report (the "2005 Acquisition").

The fair values of the identifiable assets and liabilities of Changchun Dihao as at the date when the Group obtained control pursuant to the 2004 Acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

### *2004 Acquisition*

	Notes	Fair value recognised on acquisition HK\$'000	Carrying amount HK\$'000
Net assets acquired:			
Property, plant and equipment	5	85,553	85,553
Prepaid land premiums	6	18,872	18,872
Inventories		12,901	12,901
Trade receivables	(a)	11,610	11,610
Prepayments and other receivables		9,467	9,467
Cash and cash equivalents		34,113	34,113
Trade payables	(c)	(27,853)	(27,853)
Other payables		(7,141)	(7,141)
Interest-bearing bank loans	(b)	(11,308)	(11,308)
Minority interests		<u>(31,553)</u>	<u>(31,553)</u>
		94,661	<u>94,661</u>
Goodwill on acquisition	7	<u>32,839</u>	
Satisfied by:			
Cash		<u>127,500</u>	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	<b>2004</b>
	<i>HK\$'000</i>
Cash consideration	(127,500)
Consideration remained payable at 31 December 2004	93,387
Cash and cash equivalents acquired	<u>34,113</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>—</u>

The goodwill arising from the 2004 Acquisition represented the residual value of the consideration over the fair value of the identifiable assets and liabilities of Changchun Dihao. The goodwill of HK\$32,839,000 has been recognised as a non-current asset on the Group's consolidated balance sheet (Note 7) for the year ended 31 December 2004.

Had the acquisition taken place at the beginning of 2004, the revenue from continuing operations of the Group and the profit for that year would have been HK\$256,957,000 and HK\$28,542,000, respectively.

#### *2005 Acquisition*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the minority interest in Changchun Dihao pursuant to the 2005 Acquisition is as follows:

	<b>2005</b>
	<i>HK\$'000</i>
Cash consideration	(180,339)
Consideration remained payable at 31 December 2005	<u>180,339</u>
Net outflow of cash and cash equivalents in respect of the acquisition of the minority shareholder	<u>—</u>

The goodwill arising from the 2005 Acquisition represented the residual value of the consideration over the carrying amount of the minority interest in relation to Changchun Dihao. The goodwill of HK\$117,111,000 has been recognised as a non-current asset on the Group's consolidated balance sheet (Note 7) for the year ended 31 December 2005.

Since its acquisition pursuant to the 2004 Acquisition, Changchun Dihao contributed HK\$146,735,000, HK\$652,590,000, HK\$816,826,000 and HK\$210,380,000 to the Group's turnover and HK\$19,024,000, HK\$97,325,000, HK\$141,395,000 and HK\$30,921,000 to the consolidated profit for the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, respectively.

**29. A subsidiary acquired during the Relevant Periods**

The pre-acquisition financial information of Changchun Dihao as at the date when the Group obtained control therein and for the period since the beginning of the Relevant Periods to the date when the Group obtained control, disclosed pursuant to Listing Rules 4.04 and 4.05, is set out below:

*Balance sheet*

	<i>Notes</i>	<b>At the date when the Group obtained control HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment		85,553
Prepaid land premiums		<u>18,872</u>
Total non-current assets		<u>104,425</u>
<b>CURRENT ASSETS</b>		
Inventories		12,901
Trade receivables	(a)	11,610
Prepayments, deposits and other receivables		9,467
Cash and bank balances		<u>34,113</u>
Total current assets		<u>68,091</u>
<b>CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	(b)	11,308
Trade payables	(c)	27,853
Other payables and accruals		6,791
Tax payable		<u>350</u>
Total current liabilities		<u>46,302</u>
<b>NET CURRENT ASSETS</b>		<u>21,789</u>
Net assets		<u><u>126,214</u></u>
<b>EQUITY</b>		
Registered capital		28,037
Reserves		<u>98,177</u>
Total equity		<u><u>126,214</u></u>

*Income statement*

	<i>Notes</i>	<b>Period from 1 January 2004 to the date when the Group obtained control HK\$'000</b>
REVENUE	(d)	110,222
Cost of sales		<u>(81,884)</u>
Gross profit		28,338
Other income	(d)	95
Selling and distribution costs		(14,989)
Administrative expenses		(2,305)
Finance costs	(f)	<u>(322)</u>
PROFIT BEFORE TAX	(e)	10,817
Tax	(g)	<u>(1,298)</u>
PROFIT FOR THE PERIOD		<u><u>9,519</u></u>

*Statement of changes in equity*

	<b>Registered capital HK\$'000</b>	<b>Asset revaluation reserve HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2004	28,037	17,160	71,498	116,695
Profit for the period	<u>—</u>	<u>—</u>	<u>9,519</u>	<u>9,519</u>
Total income and expense for the period	<u>—</u>	<u>—</u>	<u>9,519</u>	<u>9,519</u>
At the date when the Group obtained control	<u><u>28,037</u></u>	<u><u>17,160</u></u>	<u><u>81,017</u></u>	<u><u>126,214</u></u>

*Cash flow statement*

	<i>Notes</i>	<b>Period from 1 January 2004 to the date when the Group obtained control HK\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax		10,817
Adjustments for:		
Finance costs	(f)	322
Interest income	(d)	(26)
Depreciation	(e)	3,409
Amortisation of prepaid land premiums	(e)	<u>252</u>
		14,774
Increase in inventories		(1,254)
Decrease in trade receivables		18,601
Decrease in prepayments, deposits and other receivables		15,960
Decrease in trade payables		(35,703)
Increase in other payables and accruals		<u>1,317</u>
Cash generated from operations		13,695
Interest received		26
Tax paid		<u>(4,653)</u>
Net cash inflow from operating activities		<u>9,068</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of items of property, plant and equipment		<u>(5,563)</u>
Net cash outflow from investing activity		<u>(5,563)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Interest paid		<u>(322)</u>
Net cash outflow from financing activity		<u>(322)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,183
Cash and cash equivalents at beginning of period		<u>30,930</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>34,113</u></u>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances		<u><u>34,113</u></u>



## (a) Trade receivables

An aged analysis of the trade receivables based on the date of recognition of the sale is as follows:

	<i>HK\$'000</i>
Within 1 month	9,638
1 to 2 months	1,520
2 to 3 months	<u>452</u>
	<u><u>11,610</u></u>

## (b) Interest-bearing bank borrowings

	<b>Effective interest rate (%)</b>	<b>Maturity</b>	<i>HK\$'000</i>
<b>Current</b>			
Bank loans — secured	4.87	2005	<u>11,308</u>
			<i>HK\$'000</i>
<b>Analysed into:</b>			
Bank loans repayable:			
Within one year or on demand			7,290
In the second year			<u>4,018</u>
			<u><u>11,308</u></u>

## (c) Trade payables

An aged analysis of the trade payables based on the receipt of goods purchased is as follows:

	<i>HK\$'000</i>
Within 1 month	14,463
1 to 2 months	11,697
2 to 3 months	18
Over 3 months	<u>1,675</u>
	<u><u>27,853</u></u>

## (d) Revenue and other income

An analysis of revenue and other income is as follows:

	<i>HK\$'000</i>
<u>Revenue</u>	
Sale of goods	<u>110,222</u>
<u>Other income</u>	
Interest income	26
Net profit arising from sale of packaging materials and by-products	57
Others	<u>12</u>
	<u><u>95</u></u>

## (e) Profit before tax

Changchun Dihao's profit before tax since 1 January 2004 to the date when the Group obtained control is arrived at after charging:

	<i>HK\$'000</i>
Raw materials and consumables used	96,221
Depreciation	3,409
Amortisation of prepaid land premiums	252
Employee benefits expense:	
Wages and salaries including directors' remuneration and direct labour costs as recorded in the cost of sales	2,143
Pension costs	515
	<u>2,658</u>

## (f) Finance costs

	<i>HK\$'000</i>
Interest on bank loans	<u>322</u>

## (g) Tax

During the period from 1 January 2004 to the date when the Group obtained control, the statutory corporate income tax rate for Changchun Dihao, which operates in Mainland China, was 33%. Changchun Dihao is exempted from the PRC corporate income tax for two years starting from the first profitable year of their operations and is entitled to a 50% relief from the PRC corporate income tax for the following three years.

	<i>HK\$'000</i>
Current tax — the PRC	<u>1,298</u>

**30. Jointly-controlled entities**

The following table illustrates the summarised financial information of the Group's jointly-controlled entities, which have been proportionately consolidated during the Relevant Periods:

	<b>31 December</b>		<b>31 March</b>	
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of the jointly-controlled entities' assets and liabilities:				
Current assets	56,662	37,074	65,895	51,804
Non-current assets	35,190	68,776	68,897	69,378
Current liabilities	(39,785)	(50,749)	(60,099)	(42,705)
Non-current liabilities	(528)	(1,286)	(6,941)	(8,783)
Net assets	<u>51,539</u>	<u>53,815</u>	<u>67,752</u>	<u>69,694</u>
Share of the jointly-controlled entities' results:				
Turnover	26,548	50,244	142,883	36,003
Other revenue	220	671	1,696	382
Total revenue	26,768	50,915	144,579	36,385
Total expenses	(30,025)	(50,250)	(125,877)	(34,416)
Tax	(50)	—	—	—
Profit/(loss) after tax	<u>(3,307)</u>	<u>665</u>	<u>18,702</u>	<u>1,969</u>

**31. Capital management**

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. During the Relevant Periods, the Group's strategy was unchanged. The debt-to-equity ratios for the Relevant Periods were as follows:

	<b>2004</b>	<b>31 December 2005</b>	<b>2006</b>	<b>31 March 2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debt	651,371	933,356	973,240	995,535
Less: cash and cash equivalents	<u>(298,308)</u>	<u>(66,146)</u>	<u>(43,153)</u>	<u>(47,680)</u>
Net debt	<u>353,063</u>	<u>867,210</u>	<u>930,087</u>	<u>947,855</u>
Total equity	<u>132,650</u>	<u>188,032</u>	<u>357,452</u>	<u>406,018</u>
Debt-to-equity ratio	2.7	4.6	2.6	2.3

**III. POST BALANCE SHEET EVENTS**

Subsequent to 31 March 2007, on 24 August 2007, the companies now comprising the Group completed a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix V to this Prospectus.

Subsequent to 31 March 2007, in August 2007, the Group purchased a parcel of land from a fellow subsidiary at a consideration of approximately HK\$3.6 million.

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2007.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

For illustrative purposes only, unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group as at 31 March 2007 as if it had taken place on 31 March 2007.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial performance and financial position of the Group following the completion of the Share Offer.

#### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 31 March 2007 included in appendix I to this prospectus, and adjusted as follows:

	<b>Audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 March 2007 HK\$'000</b>	<b>Less: goodwill as at 31 March 2007 HK\$'000</b>	<b>Estimated net proceeds from the Share Offer HK\$'000 (Note 1)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (Note 2)</b>
Based on the Offer Price of HK\$2.04 per Share (High-end)	406,018	(149,950)	568,000	824,068	0.82
Based on the Offer Price of HK\$1.57 per Share (low-end)	406,018	(149,950)	431,000	687,068	0.69

*Notes:*

- The estimated net proceeds from the offer of Shares are based on the Offer Price of HK\$1.57 and HK\$2.04 per Share, net of underwriting fees and other related expense. No account has been taken of the Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 1,000,000,000 Shares were in issue immediately following the Share Offer and the Capitalisation Issue but without taking into account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- With reference to the valuation of the leasehold land and buildings of the Group as set out in appendix III to this prospectus, the aggregate open market value of the leasehold land and buildings attributable to the Group as at 31 August 2007 was about RMB195.8 million. Pursuant to a confirmation obtained from the independent valuer, the balance comprises leasehold buildings of RMB145.8 million and prepaid land premiums of RMB50.0 million. The unaudited net book value of leasehold buildings and prepaid land premiums as at 31 August 2007 was about HK\$143.0 million and HK\$28.3 million, respectively. The revaluation surplus arising from the revaluation of the leasehold buildings accordingly is about HK\$2.8 million and has not been included in the above unaudited pro forma adjusted consolidated net tangible assets of the Group. If such revaluation surplus would be included to the financial statements of the Group, an additional depreciation charge of about HK\$56,000 per annum would be incurred. No revaluation surplus in respect of prepaid land premiums has been recorded in the financial statements of the Group as the Group's prepaid land premiums are stated at cost.

4. The payments for obtaining the land use rights are considered as prepaid land premiums and are accounted as operating lease in preparing the Group's financial statements in accordance with Hong Kong Financial Reporting Standards. The prepayments are charged to the Group's income statements over the period of respective lease terms using a straight line method. Accordingly, the payments are prepayments for future economic benefits to be used by the Group which are considered as tangible in nature.

**COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report from Ernst & Young, the reporting accountants to the Company, with respect to the unaudited pro forma financial information.



18/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

10 September 2007

The Board of Directors  
Global Sweeteners Holdings Limited

Dear Sirs,

**Unaudited Pro Forma Adjusted Net Tangible Assets  
Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries hereinafter  
collectively referred to as (the “Group”)**

We report on the unaudited pro forma adjusted net tangible assets (the “Unaudited Pro Forma Financial Information”) set out in Appendix II to the prospectus of the Company dated 10 September 2007 (the “Prospectus”) in connection with the public offer and placing (“Share Offer”) of 300,000,000 shares of HK\$0.1 each in the capital of the Company and listing on The Stock Exchange of Hong Kong Limited, which has been prepared by the directors, for illustrative purposes only, to provide information about how the Share Offer might have affected the relevant financial information of the Group as presented in the Prospectus.

**Respective Responsibilities of the Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the

adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated in Appendix II to the Prospectus;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of chapter 4 of the Listing Rules.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus and received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuations as at 31 August 2007 of the property interests of the Group.*



T: (852) 2801 6100

F: (852) 2530 0756

23/F Two Exchange Square  
Central, Hong Kong

EA Licence: C-023750  
savills.com

10 September 2007

The Directors  
Global Sweeteners Holdings Limited  
Unit 4109, 41st Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

Dear Sirs

In accordance with your instructions for us to value the property interests held by Global Sweeteners Holdings Limited (hereinafter referred to as the “Company”) and its subsidiaries and jointly controlled entities (together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirmed that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the property interests as at 31 August 2007 (the “date of valuation”).

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint venture, management agreements, special



considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

The properties in Group I are held by the Group for owner-occupation. Due to the specific purposes for which the buildings and structures of the properties in Group I have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures cannot be valued on the basis of direct comparison approach. They have therefore been valued on the basis of their depreciated replacement cost. We would define “depreciated replacement cost” for these purpose to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

In valuing the property in Group II, which is to be leased by the Group in Hong Kong, we have assigned no commercial value to the property due to prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rent.

We have been provided with copies of extracts of the title documents relating to the properties in the PRC, such as real estate title certificate, building ownership certificate and state-owned land use rights certificate etc. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied to a considerable extent on the information given by the Group and its PRC legal advisor, Global Law Office, regarding the titles and other legal matters relating to the properties. We have also accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenures, ownership, completion dates, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties and have assumed that the site and floor areas shown on the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In valuing the property interests, we have had regarded to the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The Valuation Standards on Properties (First Edition January 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts are stated in Renminbi (“RMB”).

Our summary of values and valuation certificate are attached herewith.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Charles C K Chan**  
*MSc FRICS FHKIS MCI Arb RPS (GP)*  
*Managing Director*

*Note:* Charles C K Chan, Chartered Estate Surveyor, MSc., F.R.I.C.S., F.H.K.I.S., M.C.I.Arb., R.P.S. (G.P.), is a qualified valuer and has about 23 years’ experience in the valuation of properties in Hong Kong and has 18 years’ experience in the valuation of properties in the PRC.

## SUMMARY OF VALUES

Property	Market value in existing state as at 31 August 2007 <i>RMB</i>	Interest attributable to the Group %	Market value attributable to the Group in existing state as at 31 August 2007 <i>RMB</i>
<b>Group I — Properties held by the Group for owner-occupation in the PRC</b>			
1. An Industrial Complex located at 2017-1 Jiang Chuan Road Minhang District Shanghai The PRC	22,350,000	100	22,350,000
2. An Industrial Complex located at 301 Xichou Road Minhang District Shanghai The PRC	18,710,000	50	9,355,000
3. An Industrial Complex located at 886 Xi Huan Cheng Road Lv Yuan District Changchun Jilin Province The PRC	149,620,000	100	149,620,000
4. An Industrial Complex located at 28 Xi Huan Cheng Road Lv Yuan District Changchun Jilin Province The PRC	28,300,000	51	14,433,000
<b>Sub-total:</b>	<u>218,980,000</u>		<u>195,758,000</u>

Property	Market value in existing state as at 31 August 2007 <i>RMB</i>	Interest attributable to the Group <i>%</i>	Market value attributable to the Group in existing state as at 31 August 2007 <i>RMB</i>
<b>Group II — Property leased by the Group in Hong Kong</b>			
5. Unit 2403, Tower II Admiralty Centre 18 Harcourt Road Admiralty Hong Kong	No Commercial Value	100	Nil
	<b>Sub-total:</b>		<b>Nil</b>
	<b>Total:</b>		<b>195,758,000</b>

## VALUATION CERTIFICATE

## Group I — Properties held by the Group for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2007 RMB																				
1. An Industrial Complex located at 2017-1 Jiang Chuan Road Minhang District Shanghai The PRC	<p>The property comprises a site with an area of approximately 14,790.00 sq.m. (159,200 sq.ft.).</p> <p>Currently standing on the site is an industrial compound comprising eight single or multi-storey buildings of reinforced concrete structure and other ancillary facilities completed in various stages between 2000 and 2003.</p> <p>The total gross floor area of the property is approximately 6,970.79 sq.m. (75,033 sq.ft.). The uses and gross floor areas of the property are as follows:</p>	The property is occupied by the Group for manufacturing purpose.	22,350,000 (100% interest attributable to the Group: 22,350,000)																				
	<table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Approximate gross floor area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: right;">1,515.90</td> <td style="text-align: right;">16,317</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">1,785.74</td> <td style="text-align: right;">19,222</td> </tr> <tr> <td>Storage</td> <td style="text-align: right;">1,668.75</td> <td style="text-align: right;">17,962</td> </tr> <tr> <td>Others</td> <td style="text-align: right;"><u>2,000.40</u></td> <td style="text-align: right;"><u>21,532</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>6,970.79</u></u></td> <td style="text-align: right;"><u><u>75,033</u></u></td> </tr> </tbody> </table>	Use	Approximate gross floor area		sq.m.	sq.ft.	Production	1,515.90	16,317	Office	1,785.74	19,222	Storage	1,668.75	17,962	Others	<u>2,000.40</u>	<u>21,532</u>	Total:	<u><u>6,970.79</u></u>	<u><u>75,033</u></u>		
Use	Approximate gross floor area																						
	sq.m.	sq.ft.																					
Production	1,515.90	16,317																					
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Others	<u>2,000.40</u>	<u>21,532</u>																					
Total:	<u><u>6,970.79</u></u>	<u><u>75,033</u></u>																					
	The land use rights of the property have been granted for a term of 50 years expiring on 16 October 2051 for industrial uses.																						

*Notes:*

- (1) Pursuant to Real Estate Title Certificate No. Hu Fang Di Min Zi (2004) Di 005758 (滬房地閔字(2004)第005758號) issued by Shanghai Municipal Housing, Land and Resource Administration Bureau on 17 January 2004, the land use rights of the property with a site area of approximately 14,790.00 sq.m. and the building with a total gross floor area of approximately 6,970.79 sq.m. erected thereon are held by Shanghai Hao Cheng Food Development Co., Ltd. ("Hao Cheng"), a wholly owned subsidiary of the Company, for a term of 50 years expiring on 16 October 2051 for industrial use.
- (2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, Global Law Office, which contains, inter alia, the following information:

**Land use rights**

- i. The land use rights of the property held by Hao Cheng are legal and valid. Haocheng has obtained all the relevant requisite approvals from Shanghai Municipal Housing, Land and Resource Administration Bureau.

- ii. Hao Cheng has the right to use, lease, transfer, mortgage or disposal of the land use rights of the property by other legal means during the residual land use term.
- iii. The land use rights of the property are not subject to restriction in any kind of pledge, mortgage or other rights.

**Building ownership**

- iv. The building ownership of the property held by Hao Cheng is legal and valid. Hao Cheng has obtained all the relevant requisite approvals from Shanghai Municipal Housing, Land and Resource Administration Bureau.
  - v. Hao Cheng has the right to use, lease, transfer, mortgage or disposal of the buildings by other legal means.
  - vi. The buildings of the property are not subject to restriction in any kind of pledge, mortgage or other rights.
- (3) The property has been used by Hao Cheng for the intended purpose.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2007 <i>RMB</i>																	
2. An Industrial Complex located at 301 Xichou Road Minhang District Shanghai The PRC	<p>The property comprises a site with an area of approximately 16,100.00 sq.m. (173,300 sq.ft.).</p> <p>Currently standing on the site is an industrial compound comprising six single or multi-storey buildings of reinforced concrete structure and other ancillary facilities completed in various stages between 2003 and 2005.</p> <p>The total gross floor area of the property is approximately 4,348.83 sq.m. (46,811 sq.ft.). The uses and gross floor areas of the property are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Approximate gross floor area</th> </tr> <tr> <th><i>sq.m.</i></th> <th><i>sq.ft.</i></th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: right;">2,409.23</td> <td style="text-align: right;">25,933</td> </tr> <tr> <td>Storage</td> <td style="text-align: right;">1,695.90</td> <td style="text-align: right;">18,255</td> </tr> <tr> <td>Others</td> <td style="text-align: right; border-top: 1px solid black;">243.70</td> <td style="text-align: right; border-top: 1px solid black;">2,623</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">4,348.83</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">46,811</td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term of 50 years expiring on 18 August 2053 for industrial uses.</p>	Use	Approximate gross floor area		<i>sq.m.</i>	<i>sq.ft.</i>	Production	2,409.23	25,933	Storage	1,695.90	18,255	Others	243.70	2,623	Total:	4,348.83	46,811	The property is occupied by the Group for manufacturing purpose.	18,710,000 (50% interest attributable to the Group: 9,355,000)
Use	Approximate gross floor area																			
	<i>sq.m.</i>	<i>sq.ft.</i>																		
Production	2,409.23	25,933																		
Storage	1,695.90	18,255																		
Others	243.70	2,623																		
Total:	4,348.83	46,811																		

*Notes:*

- (1) Pursuant to Real Estate Title Certificate No. Hu Fang Di Min Zi (2005) Di 071069 (滬房地閔字(2005)第071069號) issued by Shanghai Municipal Housing, Land and Resource Administration Bureau on 5 September 2005, the land use rights of the property with a site area of approximately 16,100.00 sq.m. and the buildings with a total gross floor area of approximately 4,348.83 sq.m. erected thereon are held by GBT-Cargill High Fructose (Shanghai) Co., Ltd. ("GCHF"), in which the Company has a 50% attributable interest, for a term of 50 years expiring on 18 August 2053 for industrial uses.
- (2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, Global Law Office, which contains, inter alia, the following information:

**Land use rights**

- i. The land use rights of the property held by GCHF are legal and valid. GCHF has obtained all the relevant requisite approval from Shanghai Municipal Housing, Land and Resource Administration Bureau.
- ii. GCHF has the right to use, lease, transfer, mortgage or disposal of the land use rights of the property by other legal means during the residual land use term.

- iii. The land use rights of the property are not subject to restriction in any kind of pledge, mortgage or other rights.

**Building ownership**

- iv. The building ownership of the property held by GCHF is legal and valid. GCHF has obtained all the relevant requisite approvals from Shanghai Municipal Housing, Land and Resource Administration Bureau.
  - v. GCHF has the right to use, lease, transfer, mortgage or disposal of the buildings by other legal means.
  - vi. The buildings of the property are not subject to restriction in any kind of pledge, mortgage or other rights.
- (3) The property has been used by GCHF for the intended purpose.



Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2007 RMB																				
3. An Industrial Complex located at 886 Xi Huan Cheng Road Lv Yuan District Changchun Jilin Province The PRC	<p>The property comprises two parcels of land with a total area of approximately 75,838 sq.m. (816,320 sq.ft.).</p> <p>Currently standing on the site is an industrial compound comprising 18 one to three-storey industrial buildings of reinforced concrete structure in concrete/brick construction and other ancillary facilities completed in various stages between 1998 and 2007.</p> <p>The total gross floor area of the property is approximately 24,634.45 sq.m. (265,164 sq.ft.). The uses and gross floor areas of the property are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Approximate gross floor area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td>16,991.49</td> <td>182,896</td> </tr> <tr> <td>Office</td> <td>1,353.60</td> <td>14,570</td> </tr> <tr> <td>Storage</td> <td>6,084.84</td> <td>65,497</td> </tr> <tr> <td>Others</td> <td><u>204.52</u></td> <td><u>2,201</u></td> </tr> <tr> <td>Total:</td> <td><u>24,634.45</u></td> <td><u>265,164</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term expiring on 24 October 2039 for industrial uses.</p>	Use	Approximate gross floor area		sq.m.	sq.ft.	Production	16,991.49	182,896	Office	1,353.60	14,570	Storage	6,084.84	65,497	Others	<u>204.52</u>	<u>2,201</u>	Total:	<u>24,634.45</u>	<u>265,164</u>	<p>Except for portion of the property with a gross floor area of approximately 5,854.15 sq.m. is subject to a tenancy agreement at annual rent of RMB500,000 for a term of 3 years expiring on 4 June 2009, the remaining buildings of the property are occupied by the Group for manufacturing purpose.</p>	<p>149,620,000 (100% interest attributable to the Group: 149,620,000)</p>
Use	Approximate gross floor area																						
	sq.m.	sq.ft.																					
Production	16,991.49	182,896																					
Office	1,353.60	14,570																					
Storage	6,084.84	65,497																					
Others	<u>204.52</u>	<u>2,201</u>																					
Total:	<u>24,634.45</u>	<u>265,164</u>																					

## Notes:

- (1) Pursuant to State-owned Land Use Certificate No. Chang Guo Yong (2004) Zi Di 040001743 (長國用(2004)字第040001743號) dated 11 November 2004 issued by Changchun Land and Resource Administration Bureau, the land use rights of a parcel of land with a site area of approximately 63,163.00 sq.m. have been granted to Changchun Dihao Foodstuff Development Co., Ltd. ("Changchun Dihao"), a wholly owned subsidiary of the Company, for a term expiring on 24 October 2039 for industrial uses.
- (2) Pursuant to State-owned Land Use Certificate No. Chang Guo Yong (2007) Di 060007941 dated 15 August 2007 issued by Changchun Land and Resource Administration Bureau, the land use rights of a parcel of land with a site area of approximately 12,675 sq.m. have been granted Changchun Dihao for a term expiring on 20 October 2039 for industrial use.

- (3) Pursuant to 18 Building Ownership Certificates all issued by Changchun Building Administration Bureau, 18 buildings with a total gross floor area of approximately 24,634.45 sq.m. are held by Dihao Foodstuff. Details of these Building Ownership Certificates are as follows:

No.	Building Ownership Certificate No.	Gross floor area (sq.m.)	Issuance date
1	房權證長房權字第51000105號	890.23	23 January 2003
2	房權證長房權字第51000104號	4,693.27	23 January 2003
3	房權證長房權字第51000116號	4,642.83	19 June 2003
4	房權證長房權字第5090000071號	18.84	12 November 2004
5	房權證長房權字第5090000072號	1,353.60	12 November 2004
6	房權證長房權字第5090000073號	256.80	12 November 2004
7	房權證長房權字第5090000074號	367.96	12 November 2004
8	房權證長房權字第5090000075號	145.70	12 November 2004
9	房權證長房權字第5090000076號	3,484.97	12 November 2004
10	房權證長房權字第5090000077號	1,520.67	12 November 2004
11	房權證長房權字第5090000078號	426.31	12 November 2004
12	房權證長房權字第5090000079號	220.00	12 November 2004
13	房權證長房權字第5090000080號	538.90	12 November 2004
14	房權證長房權字第5090000081號	39.98	12 November 2004
15	房權證長房權字第5090000082號	180.24	12 November 2004
16	房權證長房權字第5110000051號	3,686.10	15 August 2007
17	房權證長房權字第5110000050號	2,072.61	15 August 2007
18	房權證長房權字第5110000051號	95.44	15 August 2007
Total		<u>24,634.45</u>	

- (4) Pursuant to the lease agreement entered into between Changchun Dihao and Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (長春帝豪結晶糖開發實業有限公司, "Dihao Crystal"), a wholly owned subsidiary of the Company on 5 June 2006, Changchun Dihao agreed to lease two plants of the property with a site area of approximately 3,632 sq.m. and a total gross floor area of approximately 5,854.15 sq.m. to Dihao Crystal for a term of 3 years expiring on 4 June 2006 at annual rent of RMB500,000.
- (5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, Global Law Office, which contains, inter alia, the following information:

#### Land use rights

- i. The land use rights of the property held by Changchun Dihao are legal and valid. Changchun Dihao has obtained all the relevant requisite approvals from Changchun Land and Resource Administration Bureau.
- ii. Changchun Dihao has the right to use, lease, transfer, mortgage or disposal of the land use rights of the property by other legal means during the residual land use rights term.
- iii. The land use rights of the property are not subject to restriction in any kind of pledge, mortgage or other rights.

#### Building ownership

- iv. The building ownership of the property held by Changchun Dihao is legal and valid. Changchun Dihao has obtained all the relevant requisite approval from Changchun Building Administration Bureau.
- v. Changchun Dihao has the right to use, lease, transfer, mortgage or disposal of the buildings with building ownership certificates by other legal means.
- vi. The buildings of the property are not subject to restriction in any kind of pledge, mortgage or other rights.

**Lease agreement**

Changchun Dihao has been granted the land use rights of the land and has obtained the building ownership of the buildings in respect of such portion of the property as mentioned in Note (4) above. For the lease to be valid and legally enforceable, Changchun Dihao has to obtain the non-residential property leasing permit (非住宅房屋出租許可證) and filing of the lease agreement with relevant authorities.

The GBT Group has provided an indemnity to the Global Sweetener Group against any claims, damages, losses and expenses arising out of Changchun Dihao's delay and/or failure in obtaining the non-residential property leasing permit and filing of the lease agreement with relevant authorities.

- (6) The property has been used by Changchun Dihao for the intended purpose.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2007 <i>RMB</i>																				
4. An Industrial Complex located at 28 Xi Huan Cheng Road Lv Yuan District Changchun Jilin Province The PRC	<p>The property comprises two parcels of land with a total site area of approximately 31,667.00 sq.m. (340,864 sq.ft.).</p> <p>Currently standing on the sites is an industrial compound comprising four single or multi-storey buildings of reinforced concrete structure and other ancillary facilities completed in 2005.</p> <p>The total gross floor area of the property is approximately 7,172.94 sq.m. (77,210 sq.ft.). The uses and gross floor areas of the property are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Approximate gross floor area</th> </tr> <tr> <th><i>sq.m.</i></th> <th><i>sq.ft.</i></th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: right;">6,560.83</td> <td style="text-align: right;">70,621</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">127.41</td> <td style="text-align: right;">1,371</td> </tr> <tr> <td>Storage</td> <td style="text-align: right;">121.85</td> <td style="text-align: right;">1,312</td> </tr> <tr> <td>Others</td> <td style="text-align: right;"><u>362.85</u></td> <td style="text-align: right;"><u>3,906</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>7,172.94</u></u></td> <td style="text-align: right;"><u><u>77,210</u></u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial uses.</p>	Use	Approximate gross floor area		<i>sq.m.</i>	<i>sq.ft.</i>	Production	6,560.83	70,621	Office	127.41	1,371	Storage	121.85	1,312	Others	<u>362.85</u>	<u>3,906</u>	Total:	<u><u>7,172.94</u></u>	<u><u>77,210</u></u>	The property is occupied by the Group for manufacturing purpose.	28,300,000 (51% interest attributable to the Group: 14,433,000)
Use	Approximate gross floor area																						
	<i>sq.m.</i>	<i>sq.ft.</i>																					
Production	6,560.83	70,621																					
Office	127.41	1,371																					
Storage	121.85	1,312																					
Others	<u>362.85</u>	<u>3,906</u>																					
Total:	<u><u>7,172.94</u></u>	<u><u>77,210</u></u>																					

*Notes:*

- (1) Pursuant to two State-owned Land Use Rights Certificates Nos. Chang Guo Yong (2005) Di 060003161 and 060003462 (長國用(2005)字第060003161號and 060003462號) issued by Changchun Land and Resource Administration Bureau on 19 May 2005 and 30 May 2005 respectively, the land use rights of the property with a total site area of approximately 31,667.00 sq.m. have been granted to Changchun Dacheng Nikken Polyols Co., Ltd. (“CDNP”), in which the Company has a 51% attributable interest, for terms both expiring on 20 October 2039 for industrial uses.

- (2) Pursuant to four Building Ownership Certificates all issued by Changchun Building Administration Bureau, four buildings with a total gross floor area of approximately 7,172.94 sq.m. are held by CDNP. Details of these Building Ownership Certificates are as follows:

No.	Building Ownership Certificate No.	Gross floor area (sq.m.)	Issuance date
1	房權證長房權子第5100000044號	127.41	15 August 2007
2	房權證長房權子第5100000045號	121.85	15 August 2007
3	房權證長房權子第5100000046號	362.85	15 August 2007
4	房權證長房權子第5100000047號	<u>6,560.83</u>	15 August 2007
<b>Total</b>		<b><u>7,172.94</u></b>	

- (3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, Global Law Office, which contains, inter alia, the following information:

**Land use rights**

- i. The land use rights of the property held by CDNP are legal and valid. CDNP has obtained all the relevant requisite approval from Changchun Land and Resource Administration Bureau.
- ii. CDNP has the right to use, lease, transfer, mortgage or disposal of the land use rights of the property by other legal means during the residual land use term.
- iii. The land use rights of the property are not subject to restriction in any kind of pledge, mortgage or other rights.

**Building ownership**

- iv. The building ownership of the property with a total gross floor area of approximately 7,172.94 sq.m. held by CDNP is legal and valid. CDNP has obtained all the relevant requisite approval from Changchun Building Administration Bureau.
  - v. CDNP has the right to use, lease, transfer, mortgage or disposal of the buildings by other legal means.
  - vi. The buildings of the property are not subject to restriction in any kind of pledge, mortgage or other rights.
- (4) The property has been used by CDNP for the intended purpose.

## Group II — Property to be leased by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2007 RMB
5. Unit 2403, Tower II Admiralty Centre 18 Harcourt Road Admiralty Hong Kong	<p>The property comprises an office unit on 24 floor of a 27-storey commercial building completed in 1980.</p> <p>The property has a gross floor area of approximately 345.50 sq.m. (3,719 sq.ft.).</p> <p>The property is leased to the Group under a tenancy agreement for a term of 3 years from 1 October 2007 to 30 September 2009 at a monthly rental of HK\$130,165 exclusive of rates, government rent (if any), management fee, air-conditioning charges and other tenant's outgoings.</p>	The property will be occupied by the Group for office use from 1 October 2007.	No Commercial Value (100% interest attributable to the Group: Nil)

*Note:* The property is leased by Global Sweeteners (HK) Limited, a wholly owned subsidiary of the Company.

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

## 1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in appendix VI to this prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

## 2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 3 September 2007. The following is a summary of certain provisions of the Articles.

### (a) Directors

#### (i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

#### (ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

#### (iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

#### (iv) *Loans and the giving of security for loans to Directors*

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in

respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of the Company or its holdings company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted. Such Director will also be required to physically absent himself from the relevant session of the Board meeting before the disinterested Directors discuss and decide on the matter, unless he is required to be present by resolution of the disinterested Directors (provided that such Director may not vote and will not be counted in the quorum for the voting on such transactions in such event). The above provisions will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;



- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
  - (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
  - (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
  - (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
  - (ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly as a director, an officer or an executive or a member of that company, provided that this exception shall not apply if he or any of his associate(s) is (x) a director, an officer or an executive of that company which is not the Company's subsidiary or a company which the Company and/or any of its subsidiaries holds any equity interests or (y) a member of a company in which the Director or his associates owns five per cent. or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company;
  - (gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
  - (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
  - (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.
- (vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than

the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed by the Directors shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.*

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

**(b) Alterations to constitutive documents**

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

**(c) Alterations of capital**

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds

of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

**(d) Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

**(e) Special resolutions — majority required**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

**(f) Voting rights and right to demand a poll**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing

purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a shareholder which is a clearing house (as defined in the Articles) (or its nominees), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules (as defined in the Articles) or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or (v) if required by the Listing Rules (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

**(g) Requirements for annual general meetings**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

**(h) Accounts and audit**

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be

comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

**(i) Notices of meetings and business to be conducted thereat**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by giving at least 21 days' notice in writing and any other extraordinary general meeting shall be called by giving at least 14 days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

**(j) Transfer of shares**

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any

share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

**(k) Power for the Company to purchase its own shares**

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

**(l) Power of any subsidiary to own securities in the Company**

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting where voting is by a show of hands or by poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

**(o) Corporate representatives**

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a show of hands and on a poll on any resolution put at such meeting.

**(p) Calls on shares and forfeiture of shares**

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.



A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

**(q) Inspection of register of members**

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

**(r) Inspection of register of Directors**

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

**(s) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

**(t) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

**(u) Procedures on liquidation**

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

**(v) Untraceable members**

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

**(w) Stock**

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

**(x) Other provisions**

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this document shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

**3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days’ notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days’ notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

**4. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off (aa) the preliminary expenses of the company; or  
(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

**(b) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be

legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

**(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

**(d) Dividends and distributions**

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

**(e) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

**(f) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(g) Accounting and auditing requirements**

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(h) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(i) Taxation**

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

**(j) Stamp duty**

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

**(k) Inspection of corporate records**

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

**(l) Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for

the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

**5. GENERAL**

Conyers Dill & Pearman, the Company's legal advisors on Cayman Islands law, have set to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**(1) FURTHER INFORMATION ABOUT THE COMPANY****(A) Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 13 June 2006 with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares. On 13 June 2006, one Share was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Global Corn Bio-chem on the same date. An additional 999,999 Shares were also allotted and issued, nil paid, to Global Corn Bio-chem on the same date. The said 1,000,000 nil paid Share were subsequently paid up in the manner described in paragraph (2) below.

As the Company was incorporated in the Cayman Islands, its operation is subject to the relevant laws and regulations of the Cayman Islands and its constitution which comprises a memorandum of association and articles of association. A summary of the relevant laws and regulations of the Cayman Islands and of the Company's constitution is set out in Appendix IV to this prospectus.

**(B) Changes in share capital of the Company***(a) Increase in authorised share capital*

The authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of 1,000,000 new Shares pursuant to a resolution in writing of the sole Shareholder passed on 24 August 2007.

The authorised share capital of the Company has been conditionally increased from HK\$200,000 to HK\$10 billion by the creation of 99,998 million new Shares pursuant to a resolution in writing passed by the sole Shareholder referred to in the sub-paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" in this appendix.

Immediately following the completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK\$10 billion divided into 100 billion Shares, of which 1 billion Shares will be issued fully paid or credited as fully paid, and 99 billion Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the exercise of the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this paragraph and in the sub-paragraph headed "Resolutions in writing of the sole Shareholder passed on 3 September 2007" in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.



(b) *Founder shares*

The Company has no founder shares, management shares or deferred shares.

**(C) Resolutions in writing of the sole Shareholder passed on 3 September 2007**

By resolutions in writing of the sole Shareholder passed on 3 September 2007:

- (a) the Company adopted its existing articles of association;
- (b) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
  - (i) the authorised share capital of the Company was increased from HK\$200,000 to HK\$10 billion by the creation of 99,998 million new Shares;
  - (ii) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to approve the allotment and issue of the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 11(A) of this Appendix, were approved and adopted, and the Board or any such committee was authorised, in its absolute discretion, to grant options to subscribe for Shares thereunder, to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
  - (iv) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 698 million Shares credited as fully paid at par to the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 3 September 2007 (or as it/they may direct) in proportion to it/their then existing respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$69.8 million standing to the credit of the share premium account of the Company, and the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
  - (v) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate

nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vi) a general unconditional mandate (“**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

## (2) GROUP REORGANISATION

The companies comprising the Group underwent the Reorganisation to rationalise the Group’s structure in preparation for the listing of the Shares on the Stock Exchange and the Company became the holding company of the Group.

The Reorganisation involved the transfer to the Company by Global Corn Bio-chem on 24 August 2007 an aggregate of 100 shares of US\$1 each in the share capital of Global Sweeteners and two shares of US\$1 each in the share capital of GS (China), being the respective entire issued share capital of each of Global Sweeteners and GS (China), the intermediate holding companies of the Group, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 1,000,000 new Shares to Global Corn Bio-chem; and (ii) credited as fully paid at par the 1,000,000 nil-paid Share then held by Global Corn Bio-chem.

In addition to the transfers of shares in Global Sweeteners and GS (China) referred to above, the Group also underwent the following corporate restructuring:

- (a) on 17 May 2006, GS (China) was incorporated in the BVI and one share of US\$1 was allotted and issued to Global Corn Bio-chem for cash at par upon incorporation;

- (b) On 27 March 2007, Global Sweeteners entered into an equity transfer agreements with GS (China) pursuant to which Global Sweeteners transferred its 100% interest in the registered capital of Dihao Crystal to GS (China) at a cash consideration of US\$3.2 million;
- (c) On 28 March 2007, Global Sweeteners entered into an equity transfer agreement with GS (China) pursuant to which Global Sweeteners transferred its 100% interest in the registered capital of Hao Cheng to GS (China) at a cash consideration of US\$2,668,000;
- (d) on 2 April 2007, Eternal Win, the then wholly-owned subsidiary of Global Corn Bio-chem, entered into an equity transfer agreement with Dacheng Industrial pursuant to which Eternal Win acquired from Dacheng Industrial its 25% interest in the registered capital of Changchun Dihao at the cash consideration of RMB20.25 million, subject to adjustment by reference to the valuation of Changchun Dihao as appraised by valuers. By a supplementary confirmation made between Eternal Win and Dacheng Industrial on 6 April 2007, they endorsed the appraised value of Changchun Dihao and confirmed and agreed that the consideration of the transfer to be HK\$57.8 million;
- (e) on 10 August 2007, Eternal Win allotted and issued, credited as fully paid at par, one share of US\$1 to Global Corn Bio-chem in full settlement of the shareholder's loan advanced to Eternal Win by Global Corn Bio-chem;
- (f) on 10 August 2007, Global Sweeteners acquired from Global Corn Bio-chem two shares of US\$1 each in the share capital of Eternal Win, being its entire issued share capital, at a consideration of HK\$180,338,816 (representing the consideration paid by Global Corn Bio-chem for the acquisition of its 25% indirect interest in the registered capital of Changchun Dihao in September 2005), which was to be settled by allotment and issue of 99 shares of US\$1 each in the share capital of Global Sweeteners to Global Corn Bio-chem, credited as fully paid;
- (g) on 10 August 2007, GS (China) acquired from Global Sweeteners two shares of US\$1 each in the share capital of Eternal Win, being its entire issued share capital, in consideration and in exchange for GS (China) allotting and issuing, credited as fully paid, one share of US\$1 in its share capital to Global Corn Bio-chem (as directed by Global Sweeteners);
- (h) on 10 August 2007, Global Sweeteners entered into an equity transfer agreement with GS (China) pursuant to which Global Sweeteners transferred its 75% interest in the registered capital of Changchun Dihao at a cash consideration of RMB60.75 million; and
- (i) On 15 August 2007, Global Sweeteners transferred 102 shares of US\$1 each in Global-Nikken (Hong Kong), being 51% of the entire issued share capital of Global-Nikken (Hong Kong), to GS (China) at a cash consideration of HK\$47,274,450.

### **(3) CHANGES IN SHARE CAPITAL OF SUBSIDIARIES**

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the Reorganisation, (a) on 17 May 2006, Dihao Crystal was established in the PRC as a wholly foreign owned enterprise with a registered capital of US\$3.2 million, all of which has been contributed by its sole shareholder, Global Sweeteners; and (b) 15 May 2007, Global Sweeteners (HK) Limited was incorporated in Hong Kong and 1,000 shares of HK\$1 each were allotted and issued to its subscriber for cash at par upon incorporation, which in turn transferred such shares to the Company for cash at HK\$1,000 on the same day. Save as aforesaid, there has not been any other change in the share capital of any of the Company's subsidiaries within the two years immediately preceding the date of this prospectus.

#### **(4) REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES**

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

##### **(a) Shareholders' approval**

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to a resolution in writing passed by the sole Shareholder on 3 September 2007, the Repurchase Mandate was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

##### **(b) Source of funds**

Repurchases must be paid out of funds legally available for the purpose in accordance with the Company's articles of association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by its articles of association and subject to the Companies Law, out of capital. Any premium payable on purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium account of the Company or, if authorised by its articles of association and subject to the Companies Law, out of capital.

##### **(c) Reasons for repurchases**

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and

funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

**(d) Funding of repurchases**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

**(e) General**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

**(5) REGISTRATION UNDER PART XI OF THE COMPANIES ORDINANCE**

The Company has established its head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Unit 4109, 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The Company has been registered as an overseas company under Part XI of the Companies Ordinance. Mr. Kong Zhanpeng, being the Chairman and an executive Director, has been appointed as an agent of the Company for the acceptance of service of process in Hong Kong.

**(6) FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP****(A) Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or the Company's subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 27 March 2007 made between Global Sweeteners as transferor and GS (China) as transferee for the transfer by Global Sweeteners of its 100% interests in the registered capital of Dihao Crystal to GS (China) at a cash consideration of US\$3.2 million;
- (b) an equity transfer agreement dated 28 March 2007 made between Global Sweeteners as transferor and GS (China) as transferee for the transfer by Global Sweeteners of its 100% interests in the registered capital of Hao Cheng to GS (China) at a cash consideration of US\$2,668,000;
- (c) an equity transfer agreement dated 2 April 2007 and a supplementary confirmation dated 6 April 2007 both made between Dacheng Industrial as transferor and Eternal Win as transferee for the transfer by Dacheng Industrial of its 25% interest in the registered capital of Changchun Dihao at a cash consideration of RMB20.25 million, subject to adjustment by reference to the valuation of Changchun Dihao as appraised by valuers. The consideration was confirmed and agreed by Changchun Dihao and Dacheng Industrial to be HK\$57.8 million under the supplementary confirmation;
- (d) a joint venture agreement dated 2 April 2007 made between Global Sweeteners and Eternal Win in respect of the joint investments by them in Changchun Dihao;
- (e) an agreement dated 10 August 2007 made between Global Corn Bio-chem as vendor and Global Sweeteners as purchaser for the acquisition by Global Sweeteners of the entire issued share capital of Eternal Win at a consideration of HK\$180,338,816, which is settled by the allotment and issue, credited as fully paid, 99 shares of US\$1 each in the share capital of Global Sweeteners to Global Corn Bio-chem;
- (f) an agreement dated 10 August 2007 made between Global Sweeteners as vendor and GS (China) as purchaser for the acquisition by GS (China) of the entire issued share capital of Eternal Win, in consideration of and in exchange for the allotment and issue, credited as fully paid, one share of US\$1 in the share capital of GS (China) to Global Corn Bio-chem (as directed by Global Sweeteners);
- (g) an equity transfer agreement dated 10 August 2007 made between Global Sweeteners as transferor and GS (China) as transferee for the transfer by Global Sweeteners of its 75% interests in the registered capital of Changchun Dihao to GS (China) at a cash consideration of RMB60.75 million;
- (h) a joint venture agreement dated 10 August 2007 made between Eternal Win and GS (China) in respect of the joint investments by them in Changchun Dihao;

- (i) an agreement dated 15 August 2007 made between Global Sweeteners as vendor and GS (China) as purchaser for the acquisition by GS (China) of 102 shares of US\$1 each in the share capital Global-Nikken (Hong Kong) at a cash consideration of HK\$47,274,450;
- (j) a deed of novation dated 15 August 2007 made between Global Sweeteners, GS (China), GBT and Mitsui for, among other matters, (i) the assignment and novation of all Global Sweeteners' rights, interests, benefit, liabilities, obligations and undertakings of and under the Joint Venture Structure Agreement to GS (China) with effect from 15 August 2007; and (ii) the release and discharge of Global Sweeteners from all its liabilities, obligations and undertakings under the Joint Venture Structure Agreement with effect from 15 August 2007;
- (k) an agreement dated 24 August 2007 made between Global Corn Bio-chem as vendor and the Company as purchaser for the acquisition by the Company of the entire issued share capital of each of Global Sweeteners and GS (China) in consideration of (i) the allotment and issue, credited as fully paid, of 1 million new Shares to Global Corn Bio-chem and (ii) the crediting as fully paid at par the 1 million nil-paid Shares held by Global Corn Bio-chem;
- (l) a deed of indemnity dated 7 September 2007 executed by GBT and Global Corn Bio-chem in favour of the Company for itself and as trustee for each member of the Global Sweeteners Group stated therein containing the indemnities in respect of estate duty, taxation and other liabilities of the Global Sweeteners Group referred to in paragraph headed "Estate duty, tax and other indemnities" of this Appendix; and
- (m) the Underwriting Agreement.

**(B) Further information about the Group's PRC establishments**

The Group has interests in the registered capital of five wholly foreign-owned enterprises in the PRC. A summary of the corporate information of each of the enterprises is set out as follows:

**Changchun Dihao Foodstuff Development Co., Ltd.**

- (i) Name of the enterprise: 長春帝豪食品發展有限公司  
(Changchun Dihao Foodstuff Development Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owners: GS (China) (75%)  
Eternal Win (25%)
- (iv) Total investment: RMB200 million (equivalent to about HK\$200 million)
- (v) Registered capital: RMB81 million (equivalent to about HK\$81 million)
- (vi) Attributable interest to the Group: 100%

- (vii) Term: 30 years, from 10 May 1999 to 10 May 2029
- (viii) Scope of business: Manufacturing of corn sweeteners and a series of crystallised glucose products, and development and manufacturing of a series of green wild fruit candies

**Shanghai Hao Cheng Food Development Co., Ltd.**

- (i) Name of the enterprise: 上海好成食品發展有限公司  
Shanghai Hao Cheng Food Development Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owner: GS (China) (100%)
- (iv) Total investment: US\$3.8 million (equivalent to about HK\$29.64 million)
- (v) Registered capital: US\$2.668 million (equivalent to about HK\$20.81 million)
- (vi) Attributable interest to the Group: 100%
- (vii) Term: 16 years, from 2 December 1998 to 1 December 2014
- (viii) Scope of business: Manufacturing of corn starch based high fructose corn syrup, glucose syrup, liquid glucose syrup, maltodextrins, modified starch, isomalto-oligosaccharide syrup, sorbitol, high conversion glucose syrup, candy and cold drink, and sales of self-manufactured products (subject to terms of operation permits where required)

**Changchun Dihao Crystal Sugar Industry Development Co., Ltd.**

- (i) Name of the enterprise: 長春帝豪結晶糖開發實業有限公司  
(Changchun Dihao Crystal Sugar Industry Development Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owner: GS (China) (100%)
- (iv) Total investment: US\$6.35 million (equivalent to about HK\$49.53 million)
- (v) Registered capital: US\$3.2 million (equivalent to about HK\$24.96 million)



- (vi) Attributable interest to the Group: 100%
- (vii) Term: 30 years, from 15 May 2006 to 14 May 2036
- (viii) Scope of business: Manufacturing of a series of crystallised glucose products

**GBT-Cargill High Fructose (Shanghai) Co., Ltd.**

- (i) Name of the enterprise: 大成嘉吉高果糖(上海)有限公司  
(GBT-Cargill High Fructose (Shanghai) Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owners: Global Bio-chem-Cargill (80%)  
Datex (10%)  
CIIL (10%)
- (iv) Total investment: US\$6 million (equivalent to about HK\$46.8 million)
- (v) Registered capital: US\$3 million (equivalent to about HK\$23.4 million)
- (vi) Attributable interest to the Group: 50%
- (vii) Term: 50 years, from 29 November 2001 to 28 November 2051
- (viii) Scope of business: Development and manufacturing of corn syrup with the use of advanced technology on sugar, manufacturing of corn syrup based products with the use of biochemical fermentation technology, sales of self-manufactured products, and provision of related technological and advisory services (subject to terms of operation permits where required)

**Changchun Dacheng Nikken Polyols Co., Ltd.**

- (i) Name of the enterprise: 長春大成日研糖醇開發有限公司  
(Changchun Dacheng Nikken Polyols Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owner: Global-Nikken (Hong Kong) (100%)
- (iv) Total investment: US\$15 million (equivalent to about HK\$117 million)
- (v) Registered capital: US\$6 million (equivalent to about HK\$46.8 million)



- (vi) Attributable interest to the Group: 51%
- (vii) Term: 30 years, from 3 June 2004 to 3 June 2034
- (viii) Scope of business: Manufacturing of sorbitol, sweeteners and polyol products

As advised by the Company's PRC legal advisors, all of the respective registered capital of the above PRC wholly foreign owned enterprises have been duly paid up by the respective registered owners thereof up to the Latest Practicable Date.


### (C) Intellectual property





#### (a) Trademarks






As at the Latest Practicable Date, the Group was the registered proprietor of the following trademarks:



Trademark	Country	Class	Trademark number	Effective period
	PRC	30 (Note 3)	1967255	From 21 September 2002 to 20 September 2012
	PRC	30 (Note 3)	1967185	From 7 September 2002 to 6 September 2012

Pursuant to a trademark licence agreement made between Nikken and Global-Nikken (Hong Kong) on 7 April 2004, Nikken granted to Global-Nikken (Hong Kong), with a right to sub-licence to CDNP, a non-exclusive, non-transferable and royalty-free licence to use the following registered trademarks and/or trademark pending registration owned or applied by it in respect of the goods and packaging of the 70% solid base liquid sorbitol in different grades in Hong Kong, Japan and the PRC subject to the terms and conditions of such trademark licence agreement. The trademark licence agreement has an initial term of one year commencing from 7 April 2004 and is renewable automatically for further one year periods until termination of the agreement pursuant to its terms. According to the trademark licence agreement and based on information provided to the Company by Nikken, details and the application/registration status of these trademarks as at the Latest Practicable Date were as follows:



Trademark	Country	Status of registration	Class	Trademark registration/ application number	Date of application (for trademark pending application) Effective period (for registered trademark)
日研化成	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145593	From 20 January 2004 to 19 January 2014
	Hong Kong	Application withdrawn	1, 5 and 30 (Notes 1, 2 and 3)	300145584	20 January 2004

Trademark	Country	Status of registration	Class	Trademark registration/ application number	Date of application (for trademark pending application) Effective period (for registered trademark)
NIKKEN FINE CHEMICALS	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145601	From 20 January 2004 to 19 January 2014
日研	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145539	From 20 January 2004 to 19 January 2014
NIKKEN	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145520	From 20 January 2004 to 19 January 2014
ESWEE	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145511	From 20 January 2004 to 19 January 2014
SWEET	Hong Kong	Application withdrawn	1, 5 and 30 (Notes 1, 2 and 3)	300145476	20 January 2004
	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145494	From 20 January 2004 to 19 January 2014
	Hong Kong	Registered	1, 5 and 30 (Notes 1, 2 and 3)	300145502	From 20 January 2004 to 19 January 2014
日研化成	PRC	Registered	5 (Note 2)	3918551	From 14 July 2006 to 13 July 2016
日研化成	PRC	Pending	1 and 30 (Notes 1 and 3)	3918550 (Class 1) and 3918549 (Class 30)	19 February 2004
	PRC	Pending	1 and 30 (Notes 1 and 3)	3918548 (Class 1), 3918546 (Class 30)	19 February 2004
	PRC	Registered	5 (Note 2)	3918547	From 14 July 2006 to 13 July 2016
NIKKEN FINE CHEMICALS	PRC	Registered	30 (Note 3)	3918543	From 21 January 2006 to 20 January 2016
NIKKEN FINE CHEMICALS	PRC	Pending	1 and 5 (Notes 1 and 2)	3918545 (Class 1) and 3918544 (Class 5)	19 February 2004

Trademark	Country	Status of registration	Class	Trademark registration/ application number	Date of application (for trademark pending application) Effective period (for registered trademark)
日研	PRC	Registered	5 (Note 2)	3918541	From 14 July 2006 to 13 July 2016
日研	PRC	Pending	1 (Note 1)	3918542	19 February 2004
日研	PRC	Registered	30 (Note 3)	3918540	From 14 January 2006 to 13 January 2016
NIKKEN	PRC	Registered	30 (Note 3)	3918537	From 14 January 2006 to 13 January 2016
NIKKEN	PRC	Pending	1 and 5 (Notes 1 and 2)	3918539 (Class 1) and 3918538 (Class 5)	19 February 2004
ESWEE	PRC	Registered	1 and 5 (Notes 1 and 2)	3918536 (Class 1) and 3918535 (Class 5)	From 14 July 2006 to 13 July 2016
ESWEE	PRC	Registered	30 (Note 3)	3918534	From 14 January 2006 to 13 January 2016
SWEET	PRC	Pending	5 and 30 (Notes 2 and 3)	3918532 (Class 5) and 3918531 (Class 30)	19 February 2004
SWEET	PRC	Registered	1 (Note 1)	3918533	From 14 January 2007 to 13 January 2016
	PRC	Registered	30 (Note 3)	3918528	From 14 January 2006 to 13 January 2016
	PRC	Pending	1 and 5 (Notes 1 and 2)	3918530 (Class 1) and 3918529 (Class 5)	19 February 2004
	PRC	Registered	1 (Note 1)	3918527	From 28 November 2006 to 27 November 2016
	PRC	Registered	30 (Note 3)	3918525	From 14 January 2006 to 13 January 2016
	PRC	Pending	5 (Note 2)	3918526	19 February 2004
日研化成	Japan	Registered	1, 5 and 30 (Notes 1, 2 and 3)	4770912	From 14 May 2004 to 14 May 2014

Trademark	Country	Status of registration	Class	Trademark registration/ application number	Date of application (for trademark pending application) Effective period (for registered trademark)
	Japan	Registered	1, 5 and 30 <i>(Notes 1, 2 and 3)</i>	4770894	From 14 May 2004 to 14 May 2014
NIKKEN FINE CHEMICALS	Japan	Registered	1 and 30 <i>(Notes 1 and 3)</i>	4832409	From 14 January 2005 to 14 January 2015
ESWEE	Japan	Registered	30 <i>(Note 3)</i>	4283089	From 22 January 1999 to 22 January 2009
	Japan	Pending	1 and 30 <i>(Notes 1 and 3)</i>	2004-003198	16 January 2004

Pursuant to a trademark licence agreement made between GBT and Global-Nikken (Hong Kong) on 7 April 2004, GBT granted to Global-Nikken (Hong Kong), with a right to sub-licence to CDNP, a non-exclusive, non-transferable and royalty-free licence to use the following registered trademarks owned by its subsidiary, Changchun Dacheng Corn Development Co., Ltd. in respect of the goods and packaging of the 70% solid base liquid sorbitol in different grades in the PRC subject to the terms and conditions of such trademark licence agreement. The trademark licence agreement has an initial term of one year commencing from 7 April 2004 and is renewable automatically for further one year periods until termination of the agreement pursuant to its terms:

Trademark	Country	Class	Trademark registration number	Effective period
	PRC	30 <i>(Note 3)</i>	1278916	From 28 May 1999 to 27 May 2009
	PRC	30 <i>(Note 3)</i>	1278915	From 28 May 1999 to 27 May 2009

*Notes:*

1. The products covered under Class 1 include chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.
2. The products covered under Class 5 include pharmaceutical and veterinary preparations; sanitary preparation for medical purpose; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
3. The products covered under Class 30 include coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking powder; salt, mustard; vinegar, sauces (condiments); spices; ice.

(b) *Domain name*

As at the Latest Practicable Date, the Group was the registered proprietor of the following domain name:

<b>Domain name</b>	<b>Registration date</b>	<b>Expiry date</b>
www.shhaocheng.com	17 May 2002	17 May 2010
www.global-sweeteners.com	1 June 2007	1 June 2008

**(7) FURTHER INFORMATION ABOUT DIRECTORS****(A) Disclosure of interests**

- (a) Mr. Kong Zhanpeng is interested in the Reorganisation.
- (b) Save as disclosed in this prospectus, none of the Directors or their associates was engaged in any dealings with the Group during the two years preceding the date of this prospectus.

**(B) Particulars of Directors' service contracts**(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 September 2007, which shall be renewed and extended automatically by one year on the expiry of such initial term or at any time thereafter, unless terminated by at least three months' written notice served by either party at any time during the then existing term.

Each of these executive Directors is entitled to a basic salary subject to an annual increment after 1 January 2008 at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase. In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

<b>Name</b>	<b>Annual salary (HK\$)</b>
Mr. Kong Zhanpeng	2,760,000
Mr. Zhang Fusheng	360,000
Ms. Wang Guifeng	600,000
Ms. Ge Yanping	360,000

The emolument of each of the executive Directors has been determined by the Board with reference to his/her duties, responsibilities, performance and results of the Group.

(b) *Independent non-executive Directors*

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 1 September 2007 renewable automatically for successive term of two years each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company at any time during the then existing term. The Company intends to pay a director's fee of HK\$240,000 per annum to each of the independent non-executive Directors, and an additional director's fee of HK\$120,000 per annum to Mr. Yan Man Sing Frankie who acts as the chairman of the audit committee and the CCT Supervisory Committee of the Board. The director's fee of each of the independent non-executive Directors has been determined by the Board with reference to his/her duties and responsibilities. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

Save as disclosed aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**(C) Remuneration of Directors**

- (a) The aggregate emoluments paid by the Group to the Directors in respect of the financial year ended 31 December 2006 were about HK\$60,000.
- (b) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors (including the independent non-executive Directors) for the year ending 31 December 2007, are expected to be about HK\$1,735,000.
- (c) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended 31 December 2006 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2006.

**(D) Interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations following the Share Offer and the Capitalisation Issue**

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have 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 are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Company/name of associated corporation	Capacity/nature of interest	Total number of shares or underlying shares <i>(Note 1)</i>	Approximate percentage of interest
Mr. Kong Zhanpeng	GBT	Beneficial owner and interest of a controlled corporation	185,840,000 shares of HK\$0.1 each <i>(Note 2)</i>	8.01%

*Notes:*

- The letter “L” denotes the Directors’ long position in the shares or underlying shares of the Company or the relevant associated corporation.
- These shares are held as to 13,040,000 shares by Mr. Kong Zhanpeng and as to 172,800,000 shares by Hartington Profits Limited (“**Hartington Profits**”), the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.

**(E) Agency fees or commissions received**

The Underwriters will receive a commission of 2.50% of the Offer Price per Offer Share in respect of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. The Sponsor will also receive a documentation fee. Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.805 being the mid-point of the Offer Price range of HK\$1.57 to HK\$2.04 per Share, the underwriting commissions, selling concessions, documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer, which are estimated to amount in aggregate to about HK\$42.0 million, will be payable by the Company.

**(8) INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

**(A) Interest and short position in the Shares or underlying Shares of the Company**

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director or chief executive of the



Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations following the Share Offer and the Capitalisation Issue” in the paragraph headed “Further information about Directors” in this Appendix above, the following persons will have an interest or short position in the Shares or 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 and who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	Capacity/nature of interest	Total number of shares (Note 1)	Approximate percentage of interest
Global Corn Bio-chem	Beneficial owner	700,000,000 Shares (L)	70%
GBT	Interest of a controlled corporation (Note 2)	700,000,000 Shares (L)	70%

Notes:

- The letter “L” denotes the person’s long position in the securities or registered capital of the Company and/or the relevant member of the Group.
- These Shares will be registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. GBT is deemed to be interested in all the Shares in which Global Corn Bio-chem is interested by virtue of the SFO.

**(B) Interest in 10% or more shares of the share capital of any member of the Group**

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, the following persons will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member the Group:

Name	Name of the Group company	Capacity/nature of interest	Total number of shares/nominal amount of registered capital	Approximate percentage of interest
Mitsui-Tokyo	Global-Nikken (Hong Kong)	Beneficial owner and interest of a controlled corporation (Note)	98 shares of HK\$1 each	49%
Mitsui-HK	Global-Nikken (Hong Kong)	Beneficial owner	32 shares of HK\$1 each	16%

Note: These shares are registered as to 62 shares in the name of Mitsui-Tokyo, 32 shares in the name of Mitsui-HK which is a wholly-owned subsidiary of Mitsui-Tokyo, and 4 shares in the name of Nikken which is a wholly-owned subsidiary of Mitsui-Tokyo.

**(9) CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS**

Save as disclosed in this prospectus and in note 26 to Part II of the accountants' report of the Company, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Group has not engaged in any other material connected transactions or related party transactions.

**(10) DISCLAIMERS**

Save as disclosed in this prospectus:

- (i) the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately after completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Share Offer or upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group;
- (ii) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO, which will have 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 any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (iii) none of the Directors nor any of the parties listed in the section headed "Qualification of experts" of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or are proposed to be acquired or disposed of by or leased to the Company or any other member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (iv) none of the Directors nor any of the parties listed in the section headed "Qualifications of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of the Group;
- (v) save in connection with the Underwriting Agreement, none of the parties listed in the section headed "Qualifications of experts" of this Appendix:
  - (a) is interested legally or beneficially in any securities of any member of the Group; or
  - (b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**(11) OTHER INFORMATION****(A) Share Option Scheme****(a) Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 3 September 2007. **For the purpose of this paragraph (A), all references to the Group shall be references to the Company and its subsidiaries from time to time, including, for the avoidance of doubt, Global-Nikken (Hong Kong) and CDNP:**

**(i) Purposes of the scheme**

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

**(ii) Who may join**

The Directors (which expression shall, for the purpose of this paragraph 11(A), include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' option as to his contribution to the development and growth of the Group.

(iii) *Maximum number of Shares*

- (aa) The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Main Board ("General Scheme Limit").
- (cc) Subject to (aa) above but without prejudice to (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share

option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to connected persons*

- (aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) must be approved by independent non-executive Directors of the Company (excluding independent non-executive Director who is the grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for Shares and consideration for the option*

The subscription price for Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of Shares*

- (aa) Shares allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (“**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.
- (bb) Unless the context otherwise requires, references to “**Shares**” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

(x) *Restrictions on the time of grant of options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Directors for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which the Company must publish its an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

The Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

*(xii) Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity.

*(xiii) Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

*(xiv) Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

*(xv) Rights on breach of contract*

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse as



a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

*(xvi) Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

*(xvii) Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

*(xviii) Grantee being a company wholly-owned by eligible participants*

If the grantee is a company wholly-owned by one or more eligible participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

*(xix) Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial advisor to the Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (so far as it is/they are unexercised) and/or the subscription price of the option concerned and/or the number of shares comprised in an option granted under the Share Option Scheme, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no adjustment be made the effect of which would be to enable a Share to be issued at less than its nominal value and (iv) any adjustment so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule” attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme). In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial advisor must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

*(xx) Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

*(xxi) Termination of the Share Option Scheme*

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required

in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the day on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other option.

(xxiv) *Others*

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

**(b) Present status of the Share Option Scheme***(i) Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

*(ii) Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

*(iii) Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

*(iv) Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

**(B) Estate duty, tax and other indemnities**

GBT and Global Corn Bio-chem (together, the “**Indemnifiers**”) have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of the members of the Global Sweeteners Group) (being the material contract (l) referred to in paragraph headed “Summary of material contracts” of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Global Sweeteners Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of the Global Sweeteners Group on or before the Listing Date.

Under the deed of indemnity, each of the Indemnifiers has also given indemnities to the Global Sweeteners Group on a joint and several basis in relation to taxation which might be payable by any member of the Global Sweeteners Group in respect of any income, profits, benefits or gains earned, accrued or received or any event, omission or transactions occurring or deemed to occur on or before the Listing Date.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of the Global Sweeteners Group for any accounting period up to 31 March 2007;
- (b) to the extent that such taxation or liability falling on any of the members of the Global Sweeteners Group in respect of their accounting period commencing on 1 April 2007 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of such members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 March 2007; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 March 2007 or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Global Sweeteners Group up to 31 March 2007 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (d) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to the Global Sweeteners Group on a joint and several basis that it will indemnify and at all times keep the Global Sweeteners Group fully indemnified on demand from and against all claims, damages, losses, costs, expenses, actions and proceedings (if any) (collectively, "Social Insurance Claim") arising out of or in connection with any non-compliance or alleged non-compliance by any member of the Global Sweeteners Group with any applicable PRC rules, regulations and laws in relation to social insurance on or before the Listing Date, provided that the Indemnifiers shall be under no liability under the deed in respect of any of such claims, damages, losses, costs, expenses, actions and proceedings:

- (a) to the extent that provision or reserve has been made for such Social Insurance Claims in the audited accounts of any members of the Global Sweeteners Group for any accounting period up to 31 March 2007; or

- (b) to the extent that any provision or reserve made for such Social Insurance Claims in the audited accounts of any member of the Global Sweeteners Group up to 31 March 2007 which is finally established to be over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such Social Insurance Claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (b) to reduce the Indemnifiers' liability in respect of Social Insurance Claims shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to the Company on a joint and several basis that it will indemnify and at all times keeps the Global Sweeteners Group fully indemnified on demand from and against all claims, damages, losses, costs, expenses, actions and proceedings arising out of or in connection with (i) the irregularity in the contribution of registered capital of Changchun Dihao by Changchun Dayu, one of Changchun Dihao's founding shareholders, as more particularly disclosed in the paragraph "History and Development" in the section headed "Business" in this prospectus; and any contravention of the applicable PRC laws and regulations arising out of the prepayment arrangement with the Group's customer as referred to in the paragraph headed "Financial resources and capital structure" under the section headed "Financial information" in this prospectus.

**(C) Litigation**

No member of the Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on the results of operations or financial condition of the Group.

**(D) Preliminary expenses**

The preliminary expenses of the Company are estimated to be about HK\$23,400 and are payable by the Company.

**(E) Promoter**

Global Corn Bio-chem is the promoter of the Company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities, or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to such promoter in connection with the Share Offer and the related transactions described in this prospectus.

**(F) Sponsor**

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

**(G) Qualifications of experts**

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Goldbond Capital (Asia) Limited	A licensed corporation to conduct types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands barristers and attorneys
Global Law Office	Licensed legal advisors on the PRC law
Savills Valuation and Professional Services Limited	Property valuers

**(H) Consents of experts**

Each of Goldbond Capital, Ernst & Young, Conyers Dill & Pearman, Global Law Office and Savills Valuation and Professional Services Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

None of the experts named in the sub-paragraph headed “Qualification of experts” in this Appendix has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**(I) No material adverse change**

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2007 (being the date to which the latest audited consolidated financial statements of the Group were made up).

**(J) Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of section 44A and 44B of the Companies Ordinance so far as applicable.

**(K) Taxation of holders of Shares**

Dealings in Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of

subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

**(L) Miscellaneous**

Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus:
  - (aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
  - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
  - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of its subsidiaries;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (iii) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus.

**(M) Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).



**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **BLUE**, **WHITE** and **YELLOW** application forms, the written consents referred to under the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” of appendix V to this prospectus, and certified copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business of the Group” of appendix V to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including at least 14 days from the date of the prospectus:

- (a) the memorandum and articles of association of the Company;
- (b) the accountants’ report of the Company prepared by Ernst & Young, the text of which is set out in appendix I to this prospectus;
- (c) the audited consolidated financial statements of Global Sweeteners for each of the three years ended 31 December 2006;
- (d) the letter from Ernst & Young in relation to the unaudited pro forma financial information of the Group, the text of which is set out in appendix II to this prospectus;
- (e) the letter, summary of values and valuation certificate relating to the property interests of the Group prepared by Savills Valuation and Professional Services Limited, the text of which is set out in appendix III to this prospectus;
- (f) the Companies Law;
- (g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands Company Law referred to in appendix IV to this prospectus;
- (h) the material contracts referred to under the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of the Group” of appendix V to this prospectus;
- (i) the written consents referred to under the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” of appendix V to this prospectus;
- (j) the rules of the Share Option Scheme; and
- (k) the service contracts referred to in the sub-paragraph headed “Particulars of Directors’ service contracts” in the paragraph headed “Further information about Directors” of appendix V to this prospectus.