大成糖業控股有限公司

GLOBAL Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03889 HK
913889 TW

ANNUAL REPORT 2012

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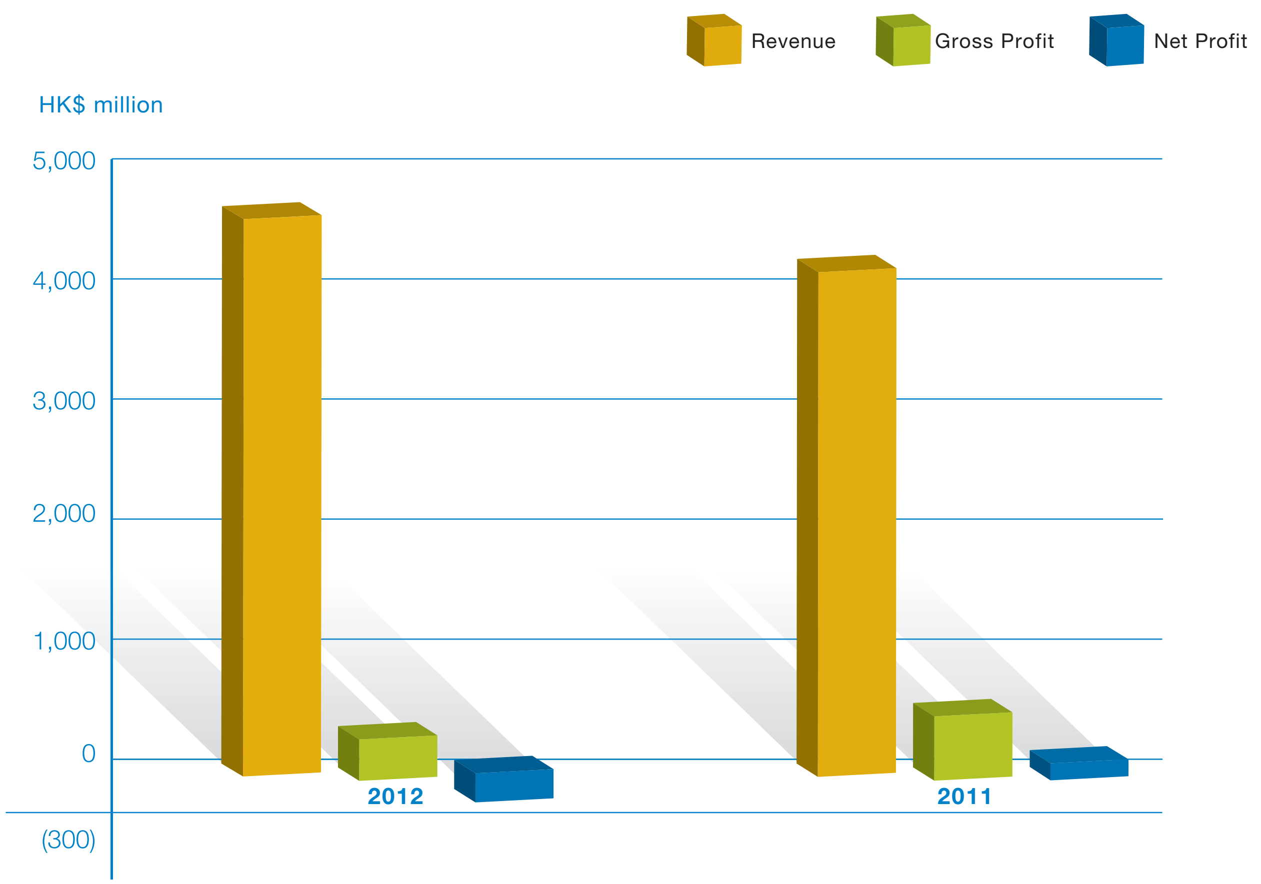
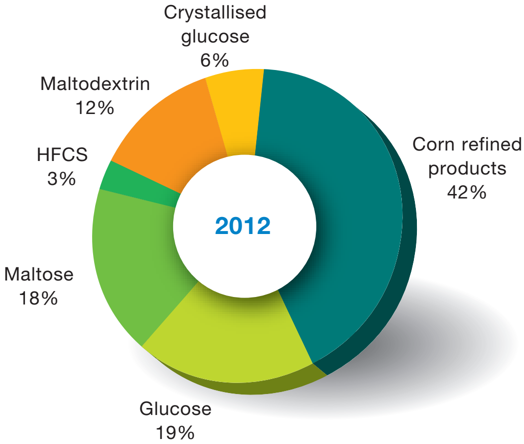
FINANCIAL HIGHLIGHTS

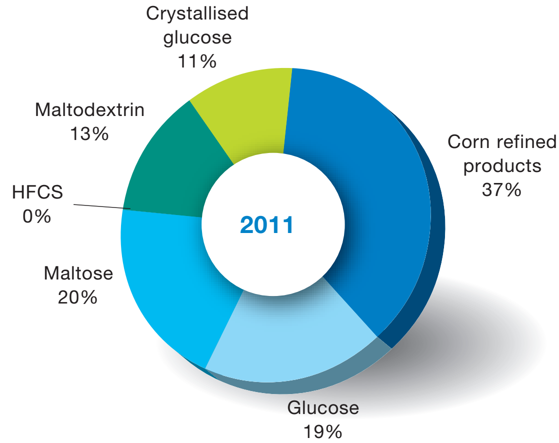
(HK$ million)	2012	2011	Change %
Revenue	**4,520**	4,275	5.7
Gross profit	**351**	545	(35.6)
Profit/(Loss) before tax from continuing operations	**(109)**	189	N/A
Loss for the year from a discontinued operation	**(120)**	(2)	N/A
Net profit/(Loss) from ordinary activities attributable to shareholders	**(247)**	144	N/A
Basic earnings/(Loss) per share (HK cents)	**(16.2)**	12.0	N/A
Basis earnings/(Loss) per share from continuing operations (HK cents)	**(8.8)**	12.1	N/A
Proposed final dividend per share (HK cents)	**–**	–	N/A



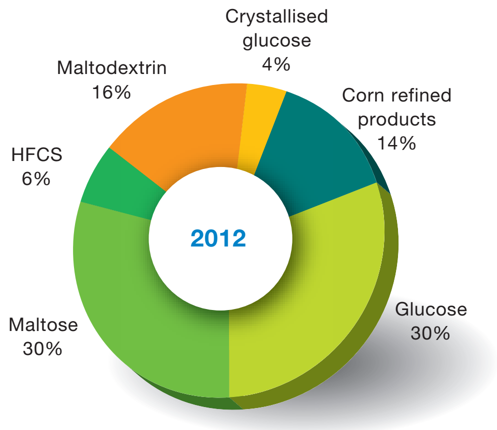
REVENUE AND SALES ANALYSIS

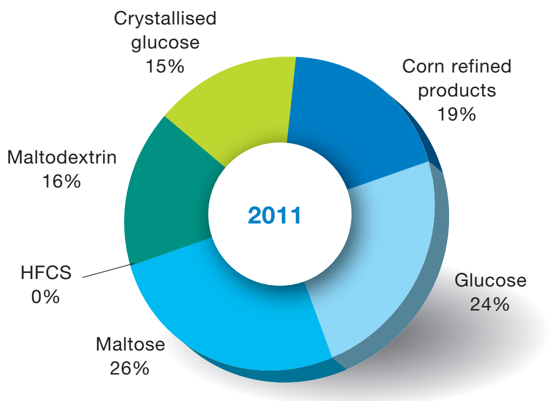
REVENUE



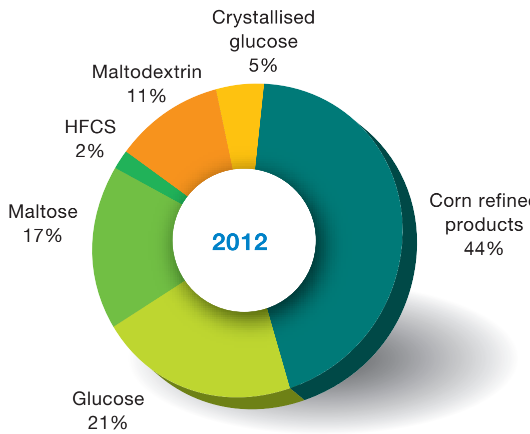


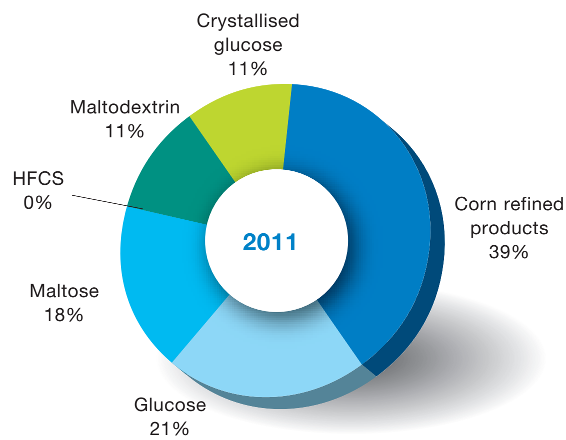
GROSS PROFIT





SALES VOLUME





MESSAGE TO SHAREHOLDERS

To the Shareholders:

I hereby present the annual results of Global Sweeteners Holdings Limited for the year ended 31 December 2012.

During the year under review, various factors in the global economy such as the European debt crisis continued to bring uncertainties to the global economic development, with China as no exception. Last year, the PRC economic growth has slowed down, weakening China's overall consumption power. The price of corn kernels, the Group's major raw material, remained relatively stable throughout last year. However, the economic slowdown has given rise to excess upstream capacity which in return keeping the prices of upstream products at the trough. On the other hand, both international and domestic sugar prices have gone down due to increase in production volume, putting pressure on the prices of downstream products. Nevertheless, with the growth in sales volume, the sales revenue of the Group for the year ended 31 December 2012 increased slightly by 6% to HK$4,520 million last year-on-year. Due to the reversed price trends of raw materials and end products, and the one-off provision for the discontinued retail beef business, the Group recorded a net loss of HK$254 million for the year under review.

BUSINESS REVIEW

Despite the slowdown of China's economic growth, demand for basic living necessities remained strong, and therefore domestic corn price remained stable. During the year, the average purchase price of corn kernels of the Group increased by approximately 6% year-on-year. In respect of upstream products, the price of corn starch stayed low due to excess supply in the market as a result of over expansion. Coupled with intense market competition, the average selling price of corn starch has once dropped to RMB2,800 per metric tonne during the year. To alleviate the impact of the weak corn starch prices on operation efficiency, the Group utitlised most of its corn starch as raw materials for its downstream production so as to reduce external sales of corn starch during the year under review. Nevertheless, the overall gross profit of corn starch decreased significantly. Together with the weak prices of other upstream corn refined products, the Group recorded a net loss in the upstream segment.

Due to the impact of the weak cane sugar price, the demand for sweetener, a substitute of cane sugar, has slackened. The revenue of the Group's downstream sweetener segment for the year remained at similar level at HK$2,644 million as compared to last year. During the year under review, the sales volume and the selling prices of the Group's corn syrup products were relatively stable, except for crystallised glucose, which has closer substitution effect with cane sugar, received greater impact from the sugar price fluctuation and therefore recorded a drop in its sales volume. On the other hand, due to the increasing production costs and selling expenses, the gross margin of the downstream segment for the year decreased by 4.9 percentage point to 11.4%.

Upon the acquisition of the remaining equity interest in the Shanghai jointly-controlled entity from Cargill, Incorporated in the first quarter of 2012, the Group could allocate its resources more efficiently and with higher flexibility. During the year, the Group has made adjustments to the original high fructose corn syrup 42 ("HFCS 42") production facilities and switched part of the facilities to produce maltose syrup and the remaining capacity to provide feedstock for the Group's new product, high fructose corn syrup 55 ("HFCS 55"). For the year under review, the Group has sold 25,000 metric tonnes of HFCS 55. Since the product is tailor-made for the needs of food and beverage processing industry, it has received satisfactory market response since its launch.

The Group has started the retail beef business since 2009. The tightening of food safety policy in the PRC has increased the operating risk of the business significantly. Considering that business development has become more difficult with cost pressure increased, during the year, the Group has decided to discontinue the retail beef business. This move would enable the Group to channel all its resources into its core business. The Group has recorded a loss of approximately HK$120 million for its discontinued operation as a result.

OUTLOOK

Looking ahead to 2013, owing to the influence of global economic uncertainties, the pace of economic growth in China is expected to slow down. The Group will focus on maintaining stable operation through implementing stringent cost control, improving production processes, upgrading facilities to increase production efficiency and increasing high value-added product output, with the objective to enhance the overall profitability. The Group will continue to adopt a prudent approach in financial management, and explore ways to optimise debt structure and lower operating expenses.

With the state supportive agricultural policy in place, farmers are now able to follow market movements more closely when selling corn, narrowing the corn price seasonality pattern. In view of this, the Group will adopt a more flexible procurement strategy in raw materials purchases to avoid capital tied up in stock from large-scale corn procurement in the harvest season. The Group will also fully utilise its corn silos in Heilongjiang and Liaoning to increase the purchase of corn directly from local farmers, in order to lower its average purchase costs.

In respect of the upstream products such as corn starch and corn refined products, due to excess capacity in the market, it is expected that the prices of upstream products will continue to be pressured in the short run. Nevertheless, as intense competitions continue, weaker players will be eliminated. With the expectation of the removal of certain inefficient capacities, prices of upstream products will gradually stabilise.

As for the outlook on sugar price, given the ample supply as evidenced by the 15% year-on-year increase in cane sugar production volume in the PRC for the year, it is believed that sugar price will continue to be under pressure in 2013. For corn sweetener manufacturers, the operating environment in 2013 will continue to be challenging. The Group will concentrate its resources on its core corn sweetener business with the aim to achieve its objectives since its listing. The Group will strive to further diversify its products in response to the prevailing excess capacity and weak sugar price through the introduction of high value-added products.

The HFCS 55 production facilities in Shanghai plant will operate at full utilisation throughout the year of 2013 to enhance operation efficiency. As a high value-added product, HFCS 55 is popular amongst international beverage manufacturers, and is expected to become a new growth driver for the Group's business.

The Group's Changchun production facilities have been operating for over a decade. To accommodate the town planning policy of the Changchun government, the Group is in the process of planning the relocation of the Changchun production site to Xinglongshan in stages. The relocation of the production facilities will be beneficial to the Group as it is an opportunity to advance production processes and further optimise the product mix. It is believed that the improved production lines can be adjusted with higher flexibility to meet the product diversification needs, and produce more high value-added products. The preliminary plan is to first complete the installation of new equipment in Xinglongshan site, followed by the relocation of the Changchun production facilities to ensure there is no material impact on the operation and production. Such relocation plan is still under planning. Further announcement(s) will be made upon finalisation of the proposed plan and the approvals from the relevant local government authorities.

As the new Chinese government strives to promote domestic consumption-driven economic growth, it is anticipated that monetary easing in China will help stimulate investment. The overall operating environment is expected to improve in the second half of the year as the economic stimulation policies bring into play. With the extensive experience of the Group's management over the past few years, advanced production processes and precise product R&D technologies, the Group enjoys unique competitive advantages in meeting industrial challenges. Global Sweeteners will continue to leverage on its highly flexible and scaled facilities to consolidate its leading market position.

Kong Zhanpeng
Chairman
26 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in the corn procurement business, which corn kernels are purchased directly from corn origination silos for cost savings.

BUSINESS ENVIRONMENT

The selling prices of the Group's products are affected by the prices of their raw materials (principally corn kernels and corn starch), the demand and supply of each of the products and their respective substitutes in the market and the variety of product specifications.

According to the National Bureau of Statistics of China, the corn harvest in the People's Republic of China (the "PRC") in 2012/13 exceeds 208 million metric tonnes ("MT"), representing a 8.0% increase comparing to the corresponding period last year. However, with the strong demands from the feed industry and other sectors, the average purchasing price of corn kernels increased by approximately 6.3% for the Year.

Nevertheless, the slow growing economy has kept the corn refined products prices at the trough. During the Year, the PRC economy recorded its slowest growth rate since 2009 as a result of the rise in production costs, the tightened property policy and the weak export. On the other hand, the pace of the global economic recovery remained slow and the European Union debt crisis has yet to be resolved, sentiment among buyers and manufacturers stayed conservative since the fourth quarter of 2011. In addition, the market is flooded with abundant supply of corn starch as a consequence of drastic expansions of corn refineries since 2009 when the PRC Government easing its monetary policy. The average selling price of corn starch hit the record low at approximately RMB2,800 per MT by the end of the Year.

On the other hand, after three consecutive years of declining cane sugar production since 2009, the production volume of cane sugar finally rebounded. As a result, the price of cane sugar, a substitute of the Group's corn sweetener products, dropped to approximately RMB5,800 per MT by the end of the Year, putting pressure on the prices of the Group's sweetener products.

In relation to the Company's retail beef business, with the tightened food safety policy in China, immense pressure has been put on the Company in the supply chain management. The management anticipates that the Company may be exposed to higher risks and uncertainties that may arise during the procurement of raw materials. Therefore, the Company has decided to exit its retail beef business. The Board considers that such decision would eliminate the risks of quality assurance and enable the Group to channel its resources to the core corn based businesses. As a result, provisions have been made on long outstanding trade receivables and obsolete inventories, and the loss attributable to the retail beef business during the Year amounted to approximately HK$120 million. Despite the provision in relation to the retail beef business, the Group will endeavour to recover these trade receivables.

However, with the expectation that the market will digest the excess capacity as global economy gradually revives, the Board is of the view that the operating environment in 2013 will improve. After more than a decade's development, the Group has laid a solid foundation with a strong management team and a well-established sales and marketing network, backed up by an outstanding R&D and production team. In face of current poor market sentiment, the Group has proven itself the ability to withstand all challenges. Leveraging on the Group's leading position in production capacity and market share, the Board believes that the Group could expect a better performance in the second half of 2013.

FINANCIAL PERFORMANCE

The Group's consolidated revenue for the Year increased by approximately 5.7% to approximately HK$4,520 million (2011: HK$4,275 million) while gross profit decreased by approximately 35.6% to HK$351 million (2011: HK$545 million) when compared to the corresponding period last year. The revenue increase was mainly attributable to the increase in sales volume. However, as a result of the poor performance of the upstream business, high production costs, weak market selling prices in contrast to the highflying raw material cost and the loss from the discontinued operation in relation to the retail beef business amounted to approximately HK$120 million, the Group's net loss attributable to shareholders for the Year amounted to approximately HK$247 million (2011: net profit HK$144 million).

Upstream products

(Sales amount: HK$1,876 million (2011: HK$1,581 million))
(Gross profit: HK$49 million (2011: HK$105 million))

In response to raw material prices fluctuations, it has always been one of the Group's main objectives to secure our corn kernel supply at the lowest cost. Subject to market movements, the Group will explore possibilities to better utilise our current corn storage facilities, further reduce corn costs and to secure our corn supply with a more comprehensive corn procurement policy and network. To achieve this, in the fourth quarter of year 2011, the Group established two silos at corn originations to procure corn directly from local farmers. It is expected that such arrangements will further secure the abundant supply and quality of corn kernel at the lowest cost.

During the Year, the revenue and gross profit of corn procurement business amounted to approximately HK$155 million and HK$10 million (2011: nil and nil) respectively. Internal consumption of corn kernels for upstream production during the Year amounted to approximately 74,000 MT (2011: Nil).

During the Year, the sales volume of corn starch and other corn refined products were approximately 270,000 MT (2011: 305,000 MT) and 294,000 MT (2011: 204,000 MT) respectively. Internal consumption of corn starch was approximately 181,000 MT (2011: 167,000 MT), which was used as raw material for production in the Group's Changchun, Jinzhou and Shanghai production sites.

The average selling prices of corn starch increased by approximately 3.0% to HK$3,400 per MT (2011: HK$3,300 per MT) while other corn refined products remained flat at HK$2,800 per MT (2011: HK$2,800 per MT) as compared to the corresponding period last year. However, cost of sales increased by approximately 14.0% which was mainly attributable to the increase in raw material costs and other manufacturing costs as a result of inflationary pressure in the PRC. In addition, the average selling price of corn starch increased slightly during the Year due to the stagnant corn starch market. Consequently, the corn starch segment recorded a gross profit margin of approximately 9.6% (2011: 17.3%) while other corn refined products segment recorded a gross loss margin of approximately 6.0% (2011: 12.7%) during the Year.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Year and is expected to continue in the first half of 2013.

Nevertheless, as the preliminary China Manufacturing Purchasing Managers Index rose to its 24-months high in January 2013, it is believed that this will boost market confidence in China's outlook for year 2013. The management believes the operating environment in China will gradually improve starting from the third quarter of 2013.

Corn syrup

(Sales amount: HK$1,824 million (2011: HK$1,682 million))
(Gross profit: HK$231 million (2011: HK$274 million))

On 30 March 2012, the Group entered into an agreement for the acquisition of the remaining shareholding of jointly-controlled entities from Cargill, Incorporated ("Cargill"). The acquired entities are principally engaged in the manufacture and sale of high fructose corn syrup 42 ("HFCS 42") with an annual production capacity of 120,000 MT in Shanghai. The acquisition has enhanced the Group's operational efficiency and management flexibility over production planning and human resources deployment.

Shanghai Hao Cheng Food Development Co., Ltd. ("Haocheng"), one of the Group's subsidiaries, has developed a well-marketed brand name "Haocheng" for all sweeteners products produced in Shanghai. With the success of the brand name, Haocheng sold 6,800 MT of HFCS 42 during the Year (2011: nil), generating a revenue of HK$24 million (2011: nil) approximately, with a gross profit and gross profit margin of approximately HK$3 million and 14.0% (2011: nil and nil) respectively. For the new product HFCS 55, production of which commenced in December 2011, it recorded a sales volume and revenue of approximately 25,000 MT and HK$103 million (2011: nil and nil) respectively during the Year with a gross profit and gross profit margin of approximately HK$18 million and 17.1% respectively.

During the Year, the average selling price of glucose syrup decreased by approximately 2.9% while the sales volume increased to approximately 302,000 MT (2011: 278,000 MT) as compared to the corresponding period last year. Consequently, the revenue of glucose syrup grew by approximately 5.6% to approximately HK$870 million (2011: HK$824 million).

The average selling price of maltose syrup during the Year remained flat while the sales volume decreased by approximately 3.3% to 234,000 MT (2011: 242,000 MT) as compared to the corresponding period last year. As a result, the revenue of maltose syrup decreased by approximately 3.6% to HK$827 million (2011: HK$858 million).

Internal consumption of glucose syrup for downstream production during the Year decreased to approximately 164,000 MT (2011: 281,000 MT) which was mainly attributable to the decrease in production volume of crystallised glucose.

As a result of the significant increase in raw material price as compared to the corresponding period last year, gross profit margins of glucose syrup and maltose syrup segments decreased to approximately 12.1% (2011: 15.9%) and 12.7% (2011: 16.6%) respectively.

During the Year, the Group sold approximately 235,000 MT (2011: 204,000 MT) of glucose syrup to the Global Bio-Chem Technology Group Company Limited ("GBT") and its subsidiaries (other than members comprising the Group and the Company's jointly-controlled entities, the "GBT Group").

Corn syrup solid

(Sales amount: HK$820 million (2011: HK$1,012 million))
(Gross profit: HK$71 million (2011: HK$166 million))

The revenue of corn syrup solid decreased by approximately 19.0% during the Year. It was mainly attributable to the decrease in sales volume of crystallised glucose. The average selling price of crystallised glucose increased by approximately 20.0% while sales volume decreased by approximately 55.5% to 65,000 MT (2011: 146,000 MT). Consequently, the revenue of crystallised glucose decreased by approximately 46.5% to approximately HK$255 million (2011: HK$477 million).

During the Year, the average selling price of maltodextrin decreased by approximately 1.3% while the sales volume increased by 6.8% to approximately 156,000 MT (2011: 146,000 MT). As a result, the revenue of maltodextrin increased by approximately 5.6% to approximately HK$565 million (2011: HK$535 million).

Due to the drop in sales volumes and the rise in raw material cost during the Year, cyrstallised glucose segment recorded a gross profit of approximately HK$15 million (2011: HK$79 million) with a gross profit margin of 5.8% (2011: 16.5%); while maltodextrin segment recorded a gross profit of approximately HK$56 million (2011: HK$87 million) with a gross profit margin of 10.0% (2011: 16.3%).

During the Year, the Group sold approximately 8,000 MT (2011: 77,000 MT) of crystallised glucose to the GBT Group.

Retail business

(Loss from discontinued operations: HK$120 million (2011: HK$2 million))

As the Company has decided to exit its retail beef business, this segment has been presented as discontinued operation and recorded a net loss of approximately HK$120 million (2011: HK$2 million).

Export sales

During the Year, the Group exported approximately 73,000 MT (2011: 47,000 MT) of upstream corn refined products and approximately 15,000 MT (2011: 29,000 MT) of corn sweeteners; their export sales amounted to approximately HK$166 million (2011: HK$103 million) and HK$64 million (2011: HK$119 million) respectively, representing approximately 5.1% (2011: 5.2%) of total revenue of the Group.

Other income, operating expenses, finance costs and income tax

Other income

During the Year, other income of the Group decreased by 19.4% to approximately HK$50 million (2011: HK$62 million) which was mainly attributable to the gain on bargain purchase arising from the acquisition of a corn refinery of approximately HK$25 million in year 2011, which was not applicable for the Year.

Selling and distribution costs

During the Year, the selling and distribution costs representing 5.7% (2011: 5.4%) of the Group's revenue increased by 10.8% to approximately HK$256 million (2011: HK$231 million) which was mainly attributable to the rise in transportation costs and packaging costs due to the highflying petroleum price and the increase in export sales volume.

Administrative expenses

Subsequent to the acquisition of Changchun Jincheng Corn Development Co., Ltd. ("Changchun Jincheng") in November 2011 and the remaining shareholding interest in the jointly-controlled entities in March 2012, the sales volume and number of headcounts of the Group increased. As a result, the administrative expenses increased by 2.8% to approximately HK$109 million (2011: HK$106 million), representing 2.4% (2011: 2.5%) of the Group's revenue.

Other operating expenses

Other operating expenses include mainly the impairment of trade and bills receivables amounted to approximately HK$11 million.

Finance costs

During the Year, finance costs of the Group increased to approximately HK$128 million (2011: HK$74 million) due to the increase in bank borrowings of approximately HK$749 million as a result of the acquisition of Changchun Jincheng in November 2011.

Income tax

Although the Group recorded a net loss during the Year, certain subsidiaries in PRC incurred net profit and were subject to PRC enterprise income tax. As a result, income tax expenses amounted to approximately HK$25 million was provided (2011: HK$44 million).

Net loss attributable to shareholders

As a result of the high production costs, weaker than expected market selling prices and loss from discontinued operation in relation to the retail beef business, the Group recorded a net loss of approximately HK$247 million (2011: net profit HK$144 million) during the Year.

IMPORTANT TRANSACTIONS

Acquisition of jointly-controlled entities

On 30 March 2012, Global Sweeteners Investments Limited ("GSIL"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "SP Agreement") with Cargill to acquire the entire shareholding ("SPV-HK Sale Interest") owned by Cargill in Global Bio-chem-Cargill (Holdings) Limited (now known as Global Sweeteners HFCS (Holdings) Limited) ("SPV-HK"), the entire equity interest ("SPV-PRC Sale Interest") held by Cargill Investments (China) Ltd. ("Cargill China") in GBT-Cargill High Fructose (Shanghai) Co., Ltd. (now known as Shanghai Da Yi Food Co., Ltd.) ("SPV-PRC") and the rights, interest and benefits of Cargill in respect of a promissory note in favour of Cargill in the principal amount to HK$40 million due on 25 September 2101 ("Note Assignment Interest", together with the SPV-HK Sale Interest and the SPV-PRC Sale Interest, the "Sale Interest").

Under the SP Agreement, Cargill shall sell to GSIL the SPV-HK Sale Interest and procure Cargill China to sell to Datex Investments Limited (a wholly owned subsidiary of the Company) the SPV-PRC Sale Interest and assign to GSIL the Note Assignment Interest. The aggregate consideration for the Sale Interest amounted to approximately HK$32,977,000.

Completion of the acquisition of the SPV-HK Sale Interest and the Note Assignment Interest have taken place immediately upon the signing of the SP Agreement, and the acquisition of the SPV-PRC Sale Interest was completed in October 2012. After completion, SPV-HK and SPV-PRC have become wholly owned subsidiaries of the Company.

Relocation of the production facilities

As announced by the Company on 21 December 2012, the Company is currently working on a proposal for the possible relocation of the production facilities of the Group in Changchun to the site in Xingongshan, Changchun, the PRC. In preparation for such relocation, the Company is studying the feasibility of the construction of glucose/maltose production plant with an annual production capacity of 300,000 mtpa in Xinglongshan. Further announcement(s) will be made upon finalisation of the proposed plan and government approval.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group's net borrowings decreased by 6.8% to approximately HK$1,244 million (31 December 2011: HK$1,335 million) as at 31 December 2012 as a result of the net cash inflow from operating activities of approximately HK$54 million.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. As at 31 December 2012, out of the amounts due from fellow subsidiaries, approximately HK$407 million representing the trade nature portion (31 December 2011: HK$428 million) was taken into consideration in the calculation of trade receivables turnover days. During the Year, the trade receivables turnover days decreased to approximately 81 days (31 December 2011: 103 days) which was mainly attributable to the stringent control on credit terms that has been applied. Subsequent to the end of the reporting period, approximately HK$457 million of trade and bills receivables was settled.

Meanwhile, the outstanding trade related balances of approximately HK$411 million (31 December 2011: HK$452 million) as at 31 December 2012 arising from the purchase transactions with the GBT Group were classified as amounts due to fellow subsidiaries. Such balances were considered as trade payables for the calculation of trade payables turnover days. During the Year, trade payables turnover days decreased to approximately 43 days (31 December 2011: 50 days) as part of the cash flow management.

Due to the decrease in the inventory level of corn kernels in Jinzhou Yuancheng Bio-Chem Technology Co., Ltd., Changchun Jincheng and the two corn origination silos to approximately 319,000 MT (31 December 2011: 372,000 MT), the inventory turnover days had decreased to approximately 94 days for the Year (31 December 2011: 114 days).

The current ratio as at 31 December 2012 increased to approximately 1.29 (31 December 2011: 1.22) and quick ratio increased to approximately 0.86 (31 December 2011: 0.77) due to the decrease in short term bank borrowings as a result of refinancing HK$300 million of short term borrowings to long term ones. Gearing ratios in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 53.5% (31 December 2011: 52.1%). Gearing ratio remained at similar level due to the stringent control over operating cash flows during the Year. Interest coverage (i.e. EBITDA over finance costs) decreased to approximately 1.3 times (2011: 5.1 times) as a result of decrease in EBITDA to approximately HK$169 million (2011: HK$373 million) for the Year and increase in finance costs by 73.0% to approximately HK$128 million (2011: HK$74 million).

Structure of interest bearing borrowings

As at 31 December 2012, the Group's bank borrowings amounted to approximately HK$1,802 million (31 December 2011: HK$1,832 million), of which approximately 3.9% (31 December 2011: 4.4%) was denominated in Hong Kong dollars and approximately 2.4% (31 December 2011: Nil) was denominated in US dollars while the remainder was denominated in Renminbi. The average interest rate during the Year decreased to approximately 6.3% (2011: 6.5%) per annum as a result of the decrease in the PRC interest rate.

Pursuant to a loan agreement entered into between Changchun Dihao Foodstuff Development Co., Ltd. ("Changchun Dihao"), which is an indirect wholly owned subsidiary of the Company, and China Construction Bank ("Lender") in respect of a two-year fixed term loan in the amount of RMB200 million due August 2014 guaranteed by GBT ("Loan"), Changchun Dihao is required to satisfy certain financial covenants, among others, that its gearing ratio should not be higher than 75%, current ratio should not be below 1.0 and contingent liabilities should not be higher than 50% of its net asset value, failure to perform or comply with any of those financial covenants entitles the Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable.

As announced by the Company on 22 March 2013, Changchun Dihao has failed to fulfill certain financial covenants under the Loan, namely, the gearing ratio, current ratio and contingent liabilities of Changchun Dihao as of 31 December 2012 as it failed to achieve the minimum ratio requirement as prescribed above. Such breach entitles the Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the Loan to become immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB280 million, which are also guaranteed by GBT.

As a result of the breach, the outstanding principal amount of RMB200 million was re-classified as wholly repayable within one year at 31 December 2012.

The Group has yet to obtain a waiver from the Lender in respect of the breach. As at the date of this report, the Lender has not made any demand for immediate repayment of the Loan. Despite the above non-compliance, the Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. In addition, the Group has sufficient financial resources to repay its indebtedness. The Group is also in the process of applying for relevant waivers from the other lenders in relation to the breach of the cross default provisions.

The percentage of interest bearing borrowings wholly repayable within one year or on demand and in the second to the fifth years were approximately 82.1% (31 December 2011: 95.7%) and 17.9% (31 December 2011: 4.3%) respectively. The change in repayment pattern was mainly due to reallocation of short term bank borrowings to long term bank borrowings during the Year.

As the Group's usual cost control measures, the Group generally procures corn kernels, being the raw material for corn starch, during the period from October to April each year to meet the production requirement during the period from May to September each year. Since it is in line with the PRC government's policy to support agricultural companies, local banks had offered short term bank borrowings to Changchun Dihao Foodstuff Development Co., Ltd ("Changchun Dihao") for financing the purchase of corn kernels. The short term bank borrowings of Changchun Dihao as at 31 December 2012 amounted to approximately HK$667 million. In light of the market demand of the Group's products and given that the Group's inventory of corn kernels are generally consumed during the period from May to September each year, it is expected that the Group will be able to generate income from the sales of the end products and repay these short term bank borrowings. Moreover, the Group has been able to maintain a healthy level of working capital and current assets, with net cash inflows from operating activities amounted to approximately HK$54 million during the Year (2011: HK$132 million), and the current ratio of approximately 1.29 as at 31 December 2012 (31 December 2011: 1.22). In the long run, the Group targets to lower the gearing ratio to 40% by year 2016.

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of business segments and overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

FUTURE PLANS AND PROSPECTS

It is the Group's mission to become one of the leading corn sweeteners manufacturers in Asia and a major player in the global market. To achieve this objective, the Group will strive to enlarge its market share, diversify its product mix, and enhance its capability in developing high value-added products and new applications through in-house research and development and strategic business alliance with prominent international market leaders.

As one of the largest corn sweetener producers in the PRC in terms of production capacity and production output, the Board believes that it is of the utmost importance for the Group to maintain its leading position in the market in terms of production capacity and market share.

EXPANSION OF PRODUCTION CAPACITY

In terms of capacity expansion for the Group's long term strategy, the Board intends to establish new production facilities in the proximities of the Group's current production facilities and in other locations in the PRC. It is expected that the construction of these new production facilities will be undertaken by new subsidiaries of the Company or joint ventures with third parties.

To secure raw material supplies and match with the Group's expansion in downstream corn sweeteners production in future, the Group commenced construction in building an additional 300,000 mtpa corn processing capacity in current Jinzhou corn refinery in August 2011 which is expected to complete by the second half of 2013.

The Board estimates that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of the production facilities while the remaining amounts are expected to be settled within one year from the relevant dates of commencement of commercial production. The Board is of the view that the existing technology know-how of the Group is sufficient for such expansion. The expansion plans of the Group will be principally financed by the Group's internal resources and bank borrowings.

At present, the Directors are of a prudent view that the Company should continue to observe market movements and assess from time to time the need and feasibility of capacity expansion.

USE OF PROCEEDS FROM THE COMPANY'S TDR ISSUE

As announced by the Company on 18 March 2010, it was the Board's then intention to use the net proceeds from the issue of the Taiwan depositary receipts ("TDR Issue") for the working capital of the Group's high end beef products business. The net proceeds received by the Company from the TDR Issue were about HK$184 million, of which about HK$90 million had been used for the working capital for the Group's high end beef products business as of March 2012.

The Board is more inclined to directing more resources to the Group's core corn based businesses. As such, in order to better utilise the cash resources of the Group, the Board has resolved to direct the then remaining net proceeds of about HK$94 million received from the TDR Issue to the use as general working capital of the Group. As of the date of this report, all of the amount of about HK$94 million has been utilised as general working capital of the Group. In view of the increasing food safety awareness in the PRC, the Board has also decided to exit the retail beef business after evaluating the potential risk and the current market sentiment.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2012, the Group has approximately 1,600 full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, hence has placed great emphasis on the recruitment of qualified and experienced personnel to enhance Group's production capability and products innovation. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commissions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Kong Zhanpeng, aged 49, is the executive Director and Chairman of the Company and is responsible for the Group's overall corporate development and management. Mr. Kong is one of the founders of the parent company, Global Bio-chem Technology Group Company Limited ("GBT") in 1994. He has over 17 years of extensive experience in industry and corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

Mr. Zhang Fazheng, aged 63, was appointed as an executive Director in June 2008 and was appointed as the chief executive officer of the Group on 6 February 2009. Mr. Zhang is responsible for overseeing the Group's operation management and product development. Mr. Zhang graduated from Jilin Finance and Trade College in 1992, majoring in corporate accounting and he has over 24 years of experience in the management of production plant. Mr. Zhang joined the Group in 1998. He was the brother-in-law of the late Mr. Xu Zhouwen, the then executive Director.

Mr. Xu Zhouwen, the executive Director, passed away on 20 August 2012. He graduated from the Harbin Electric University in 1970. As a pioneer in the corn refinery and corn-based bio-chemical industry, Mr. Xu had expertise in corn sweeteners industry. He was responsible to advise on the Group's operation management and product development. Mr. Xu was an executive director and the co-chairman of GBT, the holding company of the Company, the ordinary shares of which are listed on the main board of the Stock Exchange. He was the brother-in-law of Mr. Zhang Fazheng, an executive Director.

Mr. Lee Chi Yung, aged 38, is an executive Director, financial controller and company secretary of the Company. He is responsible for overseeing the Group's financial reporting procedures, internal controls and compliance with the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange" or "Stock Exchange") and other relevant laws and regulations. Mr. Lee has over 12 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. He graduated from the City University of Hong Kong with a Bachelor's degree (with honors) 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 and then the Group in August 2007 and was appointed as an executive Director on 8 December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, aged 50, holds a Bachelor's degree in Commerce from the University of Newcastle in Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. He has more than 25 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia. Mr. Chan was appointed as an independent non-executive Director in June 2008. Mr. Chan also holds directorship in the following publicly listed companies:

Company name	Stock code	Position
Ausnutria Dairy Corporation Ltd.	Hong Kong Stock Exchange: 01717	Independent non-executive director
BYD Electronic (International) Company Limited	Hong Kong Stock Exchange: 00285	Independent non-executive director
Daisho Microline Holdings Limited	Hong Kong Stock Exchange: 00567	Independent non-executive director
Kam Hing International Holdings Limited	Hong Kong Stock Exchange: 02307	Independent non-executive director
Sinopoly Battery Limited (formerly known as Thunder Sky Battery Limited and Jia Sheng Holdings Limited)	Hong Kong Stock Exchange: 00729	Independent non-executive director
Trauson Holdings Company Limited	Hong Kong Stock Exchange: 00325	Independent non-executive director
Xinhua Winshare Publishing and Media Co., Ltd. (formerly known as Sichuan Xinhua Winshare Chainstore Co., Limited)	Hong Kong Stock Exchange: 00811	Independent non-executive director

In addition, Mr. Chan has also been an independent non-executive Director of Great Wall Motor Company Limited, which is a listed company in Hong Kong, during the period from 18 May 2010 to 26 November 2010 and an independent non-executive director of Anhui Conch Cement Company Limited from 16 June 2006 to 31 May 2012. Mr. Chan resigned as an executive director of Asia Cassava Resources Holdings Limited, a listed company in Hong Kong, on 31 August 2010 and resigned as a non-executive director of Vitop Bioenergy Holdings Limited, a listed company in Hong Kong, on 24 May 2011.

Mr. Gao Yunchun, aged 48, is the vice president of Jilin Petrochemical Design and Research Institute. Mr. Gao graduated from Tianjin University with a bachelor degree in chemical engineering in 1987 and has about 15 years of experience in the field of chemical engineering and corn refinery industry. Mr. Gao was appointed as an independent non-executive Director in August 2007.

Mr. Ho Lic Ki, aged 64, 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 and obtained a Foundation Diploma in Management from the University of Hong Kong in 1994. He is also a holder of a Bachelor Degree in Chinese Medicine (Dispensing), Hubei University of Chinese Medicine and the registered licensee of type 9-asset management regulated activities under the Securities and Futures Ordinance. Mr. Ho is a full member of Hong Kong Securities Institute and was awarded as "Professional Manager" by the Hong Kong Management Association in 2008. Mr. Ho 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. Ho has also been an independent non-executive director of Karce International Holdings Company Limited, which is a listed company in Hong Kong, during the period from 14 January 2010 to 9 April 2010.

SENIOR MANAGEMENT

Mr. Nie Zhiguo, aged 41, is the general manager of the Group's Jinzhou production site. Mr. Nie obtained a master degree in Software Engineering and Domain Engineering from University of Electronic Science and Technology of China, the School of Computer Science and Engineering, in 2000. He joined GBT in 1997. He has over 15 years of experience in corn refinery and sweeteners industries. Mr. Nie joined the Group in 2001, after his appointment as Production Engineer for the Group's HFCS project. He has been serving the Group as the general manager of Jinzhou Dacheng Food Development Co., Ltd.. In November 2012, Mr. Nie was appointed as the general manager of the Group's Jinzhou production site.

Mr. Yu Quanhe, aged 46, is the general manager of the Group's Changchun production site. Mr. Yu graduated from Jilin Grain College in 1990, and obtained a Master's degree in Business Administration from Jilin University later in 2012. He has also obtained the professional qualification in food engineering and he is a certified senior economist in economic management. Mr. Yu joined GBT in 1997 and served as the general manager of certain subsidiaries of GBT. He has over 23 years of experience in corn refinery and sweeteners industries. Mr. Yu had been appointed as the general manager of the Group's Changchun production site in December 2012 and had been serving the Group since then.

Mr. Sui Yaoxian, aged 43, is the general manager of the Group's Shanghai production site. Mr. Sui graduated from Tongji University in 2008, majored in law. Mr. Sui is now attending a course for the Master's degree in Business Administration organised by Concordia University Wisconsin. Mr. Sui has over 23 years of experience in corn refinery and sweeteners industries. He joined GBT in 1998, and he had been serving the Group for eleven years as the assistant general manager of Shanghai plants of the Group since 2001. In September 2012, Mr. Sui was appointed as the general manager of the Group's Shanghai production site.

Global Sweeteners Holdings Limited (the "Company") is committed to ensuring high standards of corporate governance in the interests of shareholders and devoting considerable effort to identify and formalise best practices.

CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2012 (including CG Code provisions with effect from 1 April 2012).

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors should also attend general meetings. Due to other business engagements, some independent non-executive Directors could not attend the extraordinary general meeting of the Company held on 14 November 2012. However, at the respective general meetings of the Company, there were other Directors present to enable the Board to develop a balanced understanding of the views of the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

Model Code for securities transactions

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code and the code of conduct throughout the accounting period covered by the annual report.

BOARD OF DIRECTORS

The individual attendance record of the Directors at board meetings, board committee meetings and general meetings in as follows:

	Meetings Attended and Held						
	Board Meeting	Audit Committee	Nomination committee	Remuneration Committee	Corporate Governance Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Kong Zhanpeng*	4/5		1/1	2/2		1/1	1/1
Xu Zhouwen**	1/2					0/1	
Zhang Fazheng	5/5					1/1	1/1
Lee Chi Yung	5/5				2/2	1/1	1/1
Independent non-executive Directors							
Chan Yuk Tong	5/5	3/3	1/1		2/2	1/1	0/1
Gao Yunchun***	4/5	3/3		1/2		1/1	0/1
Ho Lic Ki	5/5	3/3	1/1	2/2	2/2	1/1	1/1

* Mr. Kong Zhanpeng was absent at one board meeting during the year ended 31 December 2012, as he was required to abstain from voting and absent from the meeting after disclosure of his conflict of interest. Consequently, Mr. Kong only attended four out of five board meetings during the year under review.

** Mr. Xu Zhouwen passed away on 20 August 2012.

*** Mr. Gao Yunchun was absent at one board meeting during the year ended 31 December 2012, as he was required to abstain from voting and absent from the meeting after disclosure of his conflict of interest. Consequently, Mr. Gao only attended four out of five board meetings during the year under review.

As of the date of this report, the Board comprises six Directors, being three executive Directors and three independent non-executive Directors. Save that Mr. Zhang Fazheng was the brother-in-law of the late Mr. Xu Zhouwen, there is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Details of the biographies of each individual Directors and their range of specialist experience and expertise are set out on page 14 to 15 of this report.

The Company (which, together with its subsidiaries, collectively referred to as the "Group") believes its independent non-executive Directors comprise a synergy of financial management, accounting and industry experts. The Board believes such composition is ideally qualified to advise the management team on future strategic development, financial and other statutory requirements, and to guard shareholders' interest. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As of the date of this report, the Board considers all independent non-executive Directors to be independent.

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Measures have been taken to ensure the Board receives all necessary and up to standard information in a timely manner in order to effectively discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Topics discussed at these quarterly Board meetings include: overall strategy; major acquisitions and disposals; annual budgets; interim and annual results; recommendations on Directors' appointment(s) or reappointment(s); matters relating to share capital; approval of major capital projects; dividend policies; and other significant operational and financial matters. All businesses transacted at individual Board meetings are recorded in the minutes of the respective meeting. All Board members have access to the advice and services of the company secretary. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

All new Directors, if any, will be briefed about their duties, responsibilities and obligations as a director of a listed company. Newly-appointed Directors are also encouraged to discuss with the chairman any additional information or training they may require, in order to discharge their duties in a more effective manner.

In accordance with the articles of association of the Company, every member of the Board shall retire by rotation at the annual general meeting of the Company at least once every three years. The retiring Directors shall be eligible for re-election at the same annual general meeting.

The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability arising from their performance of their duties.

Directors' Training

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Year, all Directors have participated in four one-hour in-house workshops on the Listing Rules organised by the Company. The Directors also attended seminars, conferences and forums and reviewed journals and updates relating to the economy, general business or director's duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Kong Zhanpeng is the Chairman of the Company and is mainly responsible for providing leadership and directions to the Board. Mr. Zhang Fazheng is the Chief Executive Officer of the Group, and is responsible for overseeing the Group's operation management and product development.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Gao Yunchun and Mr. Ho Lic Ki have been appointed for an initial term of two years commencing from 1 September 2007, and Mr. Chan Yuk Tong has been appointed for an initial term of two years commencing from 1 June 2008. The terms of all independent non-executive Directors are 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 party at any time during the then existing term.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Year, Directors' remuneration is as follows:

	2012 HK$'000	2011 HK$'000
Fees	768	768
Other emoluments:		
Salaries, allowances and benefits in kind	5,580	4,654
Performance related bonus	—	7,000
Equity-settled share option expense	—	12,980
Pension scheme contributions	28	24
	6,376	25,426

According to the Directors' service contracts, each of the executive Directors is entitled to a basic salary to an annual increment 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 non-controlling and payment of such bonuses but before extraordinary items) in respect of the financial year of the Company. For the year ended 31 December 2012, there were no bonuses payable to the executive Directors (2011: 4.9%).

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the Year were as follows:

	Fees HK$'000	Equity-settled share option expenses HK$'000	Total HK$'000
2012			
Chan Yuk Tong	264	—	264
Gao Yunchun	240	—	240
Ho Lic Ki	264	—	264
	768	—	768
2011			
Chan Yuk Tong	264	1,180	1,444
Gao Yunchun	240	—	240
Ho Lic Ki	264	1,180	1,444
	768	2,360	3,128

There were no other emoluments payable to the independent non-executive Directors during the Year (2011: Nil).

(b) Executive Directors

The amount of remuneration paid to the executive Directors during the Year was as follows:

	Basic salaries, housing, benefits, other allowances and benefits in kind HK$'000	Performance related bonus HK$'000	Equity-settled share option expenses HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
2012 Executive Directors					
Kong Zhanpeng	3,600	—	—	14	3,614
Zhang Fazheng	780	—	—	—	780
Xu Zhouwen*	—	—	—	—	—
Lee Chi Yung	1,200	—	—	14	1,214
	5,580	—	—	28	5,608
2011 Executive Directors					
Kong Zhanpeng	3,180	5,000	3,540	12	11,732
Zhang Fazheng	470	600	1,180	—	2,250
Xu Zhouwen*	—	—	3,540	—	3,540
Lee Chi Yung	1,004	1,400	2,360	12	4,776
	4,654	7,000	10,620	24	22,298

* passed away on 20 August 2012

(c) Senior Management

The band of the remuneration of senior management personal and related number of members of senior management personnel are as follows:

	2012 Number of individuals	2011 Number of individuals
Nil to HK$1,000,000	3	2

ACCOUNTABILITY AND AUDIT

The management of the Company is responsible to provide all relevant information to the Board, giving members with sufficient explanation and information its needs to discharge their responsibilities. Board members are provided with monthly updates, including sales updates, projected launched, upcoming projects and financial position, which give the Directors a balanced and understandable assessment of the performance, position and prospects of the Group. A statement by the auditors of the Company in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the financial statements on the going concern basis.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant period, as laid down in the Listing Rules.

MANAGEMENT FUNCTIONS

The Board decides on corporate strategies, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim accounts for the Board's approval; implementation of strategies approved by the Board; monitoring of operating budgets; implementation of internal controls procedures; and ensuring of compliance with relevant statutory requirements and other rules and regulations.

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up an audit committee, a nomination committee, a remuneration committee and a corporate governance committee with clearly defined written terms of reference adopted in compliance with the CG Code. The Company also set up a continuing connected transactions executive committee and a continuing connected supervisory committee to monitor the continuing connected transactions between the Group and the GBT Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls with written terms of reference in compliance with the CG Code provisions. The Audit Committee comprises three independent non-executive Directors. The chairman of the Audit Committee is Mr. Chan Yuk Tong. The other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Gao Yunchun.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to review the Company's financial reporting process, interim and annual results, the effectiveness of internal controls, audit process and risk management.

The Audit Committee held three meetings in 2012.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters, and has reviewed the audited financial statements of the Group for the year ended 31 December 2012.

NOMINATION COMMITTEE

In compliance with the CG Code, the Company established its nomination committee ("Nomination Committee") on 1 April 2012 with a majority of the members thereof being independent non-executive Directors. The Nomination Committee comprises of an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, Mr. Chan Yuk Tong and Mr. Ho Lic Ki. Mr. Kong Zhanpeng is the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, to review the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships.

The Nomination Committee held one meeting in 2012.

The Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors and made recommendation to the Board on the appointment of directors in the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The members of the remuneration committee ("Remuneration Committee") include an executive Director, Mr. Kong Zhanpeng and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Gao Yunchun. In compliance with the CG Code, Mr. Kong Zhanpeng ceased to be the chairman of the remuneration committee and Mr. Ho Lic Ki has been appointed as the chairman of the remuneration committee with effect from 1 April 2012. The duties of the remuneration committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time.

In 2012, the Remuneration Committee held two meetings to review, make recommendations to the Board remuneration packages of the individual executive Directors and the senior management.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance and providing supervision over the Group's compliance with relevant requirements under the CG Code, or other laws, regulations, rules and codes as may be applicable to the Group. The Corporate Governance Committee comprises of one executive Director and two independent non-executive Directors. The chairman of the Corporate Governance Committee is Mr. Chan Yuk Tong. The other members of the Corporate Governance Committee are Mr. Ho Lic Ki and Mr. Lee Chi Yung.

The Corporate Governance Committee held two meetings in 2012.

The Corporate Governance Committee reviewed the Company's policies and practices on corporate governance, and considered that the Company has complied with all code provisions in the CG Code other than A.6.7 (including CG Code provisions with effect from 1 April 2012) during the Year.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

As at the date of this report, the continuing connected transactions executive committee ("CCT Executive Committee") comprises two executive Directors, namely Mr. Lee Chi Yung and Mr. Zhang Fazheng, responsible for monitoring, review and management of the continuing connected transactions (the "CCT") between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare continuing connected transactions report and submitting the same to CCT Supervisory Committee (as defined below) on regular basis.

During the Year, the CCT Executive Committee held twelve meetings.

CCT SUPERVISORY COMMITTEE

The CCT supervisory committee ("CCT Supervisory Committee") that comprises all independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

(1) to devise and revise detailed rules and guidelines ("Prescribed Guidelines") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with GBT Group will be entered into in accordance with the respective agreements ("Master Agreement") entered into between the Group and the GBT Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the shareholders as a whole;

(2) to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to purchase of corn starch from the GBT Group by the Group and the sale of corn sweeteners, corn starch and corn steep liquor by the Group to the GBT Group ("Proposed Sale and Purchase") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Report");

(3) in respect of the provision of utility services (the "Utility Services") by the GBT Group to the Group, 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;

(4) in respect of the sales agency service (the "Sales Agency Services") by the GBT Group to the Group, 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 half-year period ended 30 June or 31 December, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group; and

(5) to report its findings on review of the CCT Quarterly Report to the Board and give recommendations to the Board to ensure the transactions will be entered into in the interests of the Group and the shareholders as a whole.

The principal terms of the prevailing Prescribed Guidelines are set out below:

(1) the Group shall not purchase corn starch from the GBT Group, or sell corn sweeteners to the GBT Group, or obtain the relevant utility services or sales agency services from the GBT Group, unless the GBT Group shall agree that the purchase/selling prices and fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines.

(2) in respect of the purchase of corn starch from the GBT Group in slurry form:

(i) for the Group's purchase of corn starch in slurry form from the GBT Group for any particular calendar month (the "Relevant Month"), the CCT Executive Committee shall obtain the then quotations and other major commercial terms (including credit terms offered) for supply of corn starch of comparable specifications and quantities in slurry form from at least one (or such number as may be required by the CCT Supervisory Committee from time to time) independent supplier by the end of the month immediately prior to the Relevant Month. The CCT Executive Committee shall, prior to the end of the Relevant Month and in any event on or before the price determination date as referred to in paragraph (iv) below, obtain the then quotations and major commercial terms from independent supplier(s) for supply of corn starch;

(ii) if the quotations for supply of corn starch in slurry form obtained from the independent supplier(s) are exclusive of any of transportation, storage and/or insurance cost, the CCT Executive Committee shall estimate the additional unit cost to be incurred by the Group (whether by itself or through independent service provider(s)) in order for the Group to purchase the corn starch from such independent supplier(s) with supporting evidence ("Estimated Cost");

(iii) the CCT Executive Committee shall obtain from the GBT Group the average unit selling price and other major commercial terms (including credit terms offered) for supply of corn starch of comparable quantities and specifications by the GBT Group to its independent customers during the Relevant Month up to the price determination date as referred to in paragraph (iv) below; and

(iv) the total purchase price and the commercial terms in respect of corn starch supplied by the GBT Group in slurry form to the Group during the Relevant Month shall be calculated within five business days prior to the end of the Relevant Month, which shall be determined by the CCT Executive Committee by using the lower of (a) the average unit selling price as referred to in paragraph (iii) above, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its independent customers; and (b) the quotations from independent supplier(s) as referred to in paragraph (i) above plus the Estimated Cost (where applicable) for the Relevant Month, as the unit purchase price, and the most favourable terms to the Group among the commercial terms as referred to in paragraphs (i) and (iii) above as the terms of the purchase of corn starch from the GBT Group in slurry form for the Relevant Month.

(3) in respect of sales of corn sweeteners to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn sweeteners supplied by the Group to the GBT Group during the Relevant Month shall be determined by the CCT Executive Committee within five business days prior to the end of the Relevant Month in the following manner:

(i) the CCT Executive Committee shall obtain market information regarding the market unit price of corn sweeteners of comparable specification and quantities for the Relevant Month;

(ii) if there is insufficient information on market unit price available, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn sweeteners of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (3) above;

(iii) where the above market unit pricing information or the unit selling price offered to independent customers relate to corn sweeteners of different specifications, the CCT Executive Committee shall make a detailed analysis as to how the unit selling prices should be determined with reference to the above market unit pricing information or the unit selling price offered by the Group to independent customers to ensure that the proposed selling price of corn sweeteners with such particular specifications is fair and reasonable and on normal commercial terms.

(4) in respect of sales of corn starch and corn steep liquor to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn starch and corn steep liquor supplied by the Group to the GBT Group during the Relevant Month shall be determined by the CCT Executive Committee within five business days prior to the end of the Relevant Month in the following manner:

(i) the CCT Executive Committee shall obtain market information regarding the market unit price of corn starch and corn steep liquor of comparable specification and quantities for the Relevant Month;

(ii) if there is insufficient information on market unit price available, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn starch and corn steep liquor of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (4) above;

(iii) if there is insufficient information on market unit price available, and the Group has not sold corn starch and corn steep liquor of comparable specifications and quantities to independent customers for the Relevant Month, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by independent suppliers to the Group for purchase of corn starch and corn steep liquor of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (4) above;

(iv) where the above market unit pricing information or the unit selling price offered to independent customers or unit selling price offered by independent suppliers relate to corn starch and corn steep liquor of different specifications, the CCT Executive Committee shall make a detailed analysis as to how the unit selling prices should be determined with reference to the above market unit pricing information or the unit selling price offered by the Group to independent customers or the unit selling price offered by independent suppliers to the Group to ensure that the proposed selling price of corn starch and corn steep liquor with such particular specifications is fair and reasonable and on normal commercial terms.

(5) the CCT Executive Committee shall submit to the CCT Supervisory Committee a quarterly report within 15 days from the end of each quarter in relation to the purchase of corn starch from, and the sales of corn sweeteners, corn starch and corn steep liquor to, the GBT Group during the quarter.

(6) in the event that there is any deviation from the terms of the relevant Master Agreements and/or any non-compliance of the Prescribed Guidelines in respect of any continuing connected transactions entered into by any member of the Group during the period covered by the quarterly or, in respect of the sales agency services from the GBT Group only, half-yearly report (including but not limited to non-compliance of the pricing basis), the CCT Supervisory Committee may request the Group to take such procedures (including price adjustments) as the CCT Supervisory Committee may consider appropriate to rectify such deviation or non-compliance.

(7) the auditors of the Group will be engaged to review the CCT (other than the sales agency services from the GBT Group) on a quarterly basis, and the sales agency services from the GBT Group on a semi-annual basis, and shall 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.

Four meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase, the Utility Services and the Sales Agency Services entered into by the Group with the GBT Group during the Period. Details of findings have been published on 21 May 2012, 23 August 2012, 16 November 2012 and 20 March 2013. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase conducted during the Year were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services and the Sales Agency Services rendered during the Year had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, approximately HK$2,200,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of approximately HK$881,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation	70,000
Others	525,000
Total	595,000

COMPANY SECRETARY

The company secretary of the Company, Mr. Lee Chi Yung, who is also an executive Director, is responsible for supporting the Board, ensuring good information flow within the Board and Board policy and procedures are followed, advising the Board on governance matters, facilitating induction and, monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the Year. His biography is set out in page 14 of this report.

INVESTORS' RELATION

The Group establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports to its shareholders twice a year and maintains a regular dialogue with investors.

The annual general meeting ("AGM") provides a useful forum for shareholders to exchange views with the Board. Members of the Audit, Remuneration and Nomination Committees and the external auditors also attend the AGM to answer questions from shareholders.

The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors. Details of the proposed resolutions are contained in the circular. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting. Voting results are posted on the website of the Company and the Stock Exchange on the day of the AGM.

A Shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

As of 31 December 2012, details of shareholders by type and aggregate shareholding are as follow:

	No. of share hold	**Percentage of shareholding**	**Market Capitalisation** (HK$'million)
GBT	977,778,000	64.01	645
Public float in Taiwan in the form of TDR	140,176,000	9.17	93
Public float in Hong Kong	409,632,000	26.82	270
Total	1,527,586,000	100.00	1,008

The 2012 AGM was held on 7 May 2012 to approve the 2011 audited financial statements, grant of the new issue mandate and the repurchase mandate and re-election of directors. All resolutions proposed were passed by way of poll.

An extraordinary general meeting was held on 14 November 2012 to approve the master sales agreement in relation to supply of corn sweeteners, the master supply agreement for supply of electricity, water and steam and the provision of waste water treatment services, the master purchase agreement in relation to the purchase of corn starch and the master sales agreement in relation to the sale of corn starch and corn steep liquor; which are all dated 30 August 2012 and entered into between Changchun Dihao and GBT Group . All resolutions proposed were passed by way of poll.

2013 AGM will be held on 20 May 2013 to approve, among others, the 2012 audited financial statements, grant of the new issue mandate and the repurchase mandate and re-election of directors.

INTERNAL CONTROLS

The Board is entrusted with the overall responsibility of establishing, maintaining and assessing the Group's internal control systems and its effectiveness. The role of the Group's management is to implement all policies on risk and control laid down by the Board.

The Group's internal control systems are designed to provide reasonable protection to the Group's assets, and to safeguard these assets from unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure accounting records are sufficiently accurate for the preparation of financial information used for operation and reporting purposes. The Group has adopted proper procedure with duly assigned levels of authority in areas of financial, operational and compliance controls and risk management to ensure that its assets and resources remain secure at all times.

The role of the Audit Committee is, through discussion with management and engagement of external consultants, to review the effectiveness of internal control systems, including financial, operational and compliance controls and risk management functions, and to report to the Board any significant risk issues.

On 24 October 2012, the Board has engaged BDO Financial Services Limited ("BDO") to conduct a review on the effectiveness of the internal control system of the Group, and where weaknesses are identified, to recommend means for improvement to the Audit Committee. The Board has reviewed the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and BDO. The Company has complied with the CG Code on internal control during the reporting period.

Environmental, Social and Governance Report

The Company has published the Environmental, Social and Governance report on the website of the Company at www.global-sweeteners.com under the heading "Corporate Information".

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at contact@global-sweeteners.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section headed "Corporate Information" of this report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at contact@global-sweeteners.com.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information via email at the email address of the Company at contact@global-sweeteners.com.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(2) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

The directors present their report and the audited financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based sweetener products. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 112.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012 (2011: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2012 and the published combined financial information of the Group for the four years ended 31 December 2008, 2009, 2010 and 2011, as extracted from the audited financial statements and restated as appropriate, is set out on page 113. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 30 and note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$1,164,798,000. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$1,074,879,000 as at 31 December 2012 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 29.3% of the total sales for the year and sales to the largest customer included therein accounted for approximately 15.1% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for approximately 33.1% of the total purchases for the year, and purchases from the largest supplier included therein accounted for approximately 22.4% of the total purchases of the year.

Except for the GBT Group, Mr. Kong Zhanpeng (the Chairman of the Company), no other directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Kong Zhanpeng
Zhang Fazheng
Xu Zhouwen (passed away on 20 August 2012)
Lee Chi Yung

Independent non-executive directors:
Chan Yuk Tong
Gao Yunchun
Ho Lic Ki

In accordance with articles 108(A) of the Company's articles of association, Mr. Kong Zhanpeng and Mr. Lee Chi Yung, both being an executive director, will retire by rotation at the forthcoming annual general meeting on 20 May 2013. All the above directors, being eligible, will offer themselves for re-election at the annual general meeting.

The Company has received annual confirmations of independence from Mr. Chan Yuk Tong, Mr. Gao Yunchun and Mr. Ho Lic Ki, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The executive directors, Mr. Kong Zhanpeng, Mr. Zhang Fazheng, and Mr. Lee Chi Yung have entered into service contracts with the Company for an initial term of three years which commenced on 1 September 2007, 1 June 2008 and 8 December 2009, respectively and renewable automatically for successive term of one year. Each of the above service contract may be terminated by either party by giving not less than three months' written notice.

Two of the independent non-executive directors, Mr. Gao Yunchun and Mr. Ho Lic Ki, have entered into appointment letters with the Company for an initial term of two years which commenced on 1 September 2009 and renewable automatically for successive term of two years. One of the independent non-executive directors, Mr. Chan Yuk Tong has entered into an appointment letter with the Company for an initial term of two years which commenced on 1 June 2008 and renewable automatically for successive term of two years. Each of the above appointment letter may be terminated by either party by giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save that Mr. Kong Zhanpeng, being an executive Director, was indirectly interested in the contracts made between the Group and the GBT Group as disclosed in the paragraph headed "Continuing connected transactions" of this report, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective since 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

The following share options were outstanding under the Scheme of the Company during the year:

Participants	At 1 January 2011	Grant during the year	Lapsed during the year	Exercised during the year	At 31 December 2012	Date of grant of share options	Exercise period of share options	Vesting period of share option	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share	Weighted average closing price immediately before the exercise date HK$ per share	Closing price at exercise date of option HK$ per share
Kong Zhanpeng	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Zhang Fazheng	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Xu Zhouwen*	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Lee Chi Yung	4,000,000	–	–	–	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Chan Yuk Tong	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Ho Lic Ki	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Employees	3,400,000	–	–	–	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Other participant	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
	31,400,000	–	–	–	31,400,000							

At 31 December 2012, the options granted to subscribe for 31,400,000 Shares remained outstanding, representing approximately 2.06% of the issued share capital of the Company at that date.

As at the date of this annual report, 31,400,000 Shares were available for issue under the Scheme, representing approximately 2.06% of the issued share capital of the Company at that date.

Further details of the Scheme are disclosed in note 31 to the financial statements.

* Passed away on 20 August 2012

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Law of Hong Kong as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of director	The company/ name of associated corporation	Capacity/nature of interest	Number and Class of securities held (Note 1)	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Kong Zhanpeng	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	18,256,000 ordinary shares of HK$0.1 each (L)	0.56
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.1 each (L) (Note 2)	7.41
	The Company	Beneficial owner	1,984,000 shares (L) (Note 3)	0.13
	The Company	Beneficial owner	6,000,000 shares (L) (Note 4)	0.39
	GBT	Interest of a controlled corporation	Bonds in the principal amount of RMB3,000,000 (Note 5)	N/A
Zhang Fazheng	The Company	Beneficial owner	2,000,000 shares (L) (Note 6)	0.13
Lee Chi Yung	The Company	Beneficial owner	4,000,000 shares (L) (Note 7)	0.26
Chan Yuk Tong	The Company	Beneficial owner	2,000,000 shares (L) (Note 8)	0.13
Ho Lic Ki	The Company	Beneficial owner	2,000,000 shares (L) (Note 9)	0.13

Notes:

1. The letter "L" represents the director's interests in the shares and underlying shares of the Company or its associated corporation.

2. These 241,920,000 shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.

3. These shares are held by Hartington Profits Limited.

4. These shares are underlying shares comprised in the options granted to Mr. Kong Zhanpeng pursuant to the Scheme.

5. These 7.0% guaranteed bonds due 2014 are held by Hartington Profits Limited.

6. These shares are underlying shares comprised in the options granted to Mr. Zhang Fazheng pursuant to the Scheme.

7. These shares are underlying shares comprised in the options granted to Mr. Lee Chi Yung pursuant to the Scheme.

8. These shares are underlying shares comprised in the options granted to Mr. Chan Yuk Tong pursuant to the Scheme.

9. These shares are underlying shares comprised in the options granted to Mr. Ho Lic Ki pursuant to the Scheme.

Saved as disclosed above, as at 31 December 2012, none of the directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors Interest and Short Positions in Shares and Underlying Shares" above, at no time during the year were rights to acquired benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or any person in whose shares and debentures any directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLING SHARES

At 31 December 2012, so far as is known to the directors, the following persons (other than the directors) had an interest or short position in the shares and underlying shares of the Company and chief executive of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of shares held (Note 1)	Percentage of Company's issued share capital
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 shares of HK$0.1 each (L)	64.01
GBT	Interest of a controlled corporation (Note 2)	977,778,000 shares of HK$0.1 each (L)	64.01
	Beneficial owner	500,000 shares of HK$0.1 each (L)	0.03

Notes:

1. The letter "L" denotes the person's interest in the share capital of the Company.

2. These shares are registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the shares in which Global Corn Bio-chem is interested according to the SFO.

Saved as disclosed above, no person, other than the directors and chief executive of the Company has, as of 31 December 2012, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

Sales to and purchase from the GBT Group

Members of the GBT Group are the Group's suppliers and customers. During the year, the Group had the following continuing connected transactions with the GBT Group:

Sourcing of utilities services

Pursuant to the utilities master supply agreement dated 16 April 2009, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Group's production plants at Changchun on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. Under the utilities service master supply agreement, the fees payable by the Group shall be settled on a monthly basis and shall be payable by the Group within 90 days after the date of the relevant invoice issued by GBT Group. During the Year, amounts payable by the Group in respective of provisions of these utilities services by the GBT Group amounted to HK$198 million.

Purchase of corn starch

Pursuant to the corn starch master purchase agreement dated 16 April 2009, 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. Under the corn starch master purchase agreement, the prices shall 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, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would 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. During the Year, purchase of corn starch from the GBT Group by the Group amounted to HK$198 million.

Supply of corn sweeteners

Pursuant to the corn sweeteners master sales agreement dated 16 April 2009, the GBT Group has been sourcing corn sweeteners, including sorbitol, from the Group as one of the principal production materials for the production of its amino acid and polyol products 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. Under the corn sweeteners master sales agreement, the payment terms for the products would be set out in the purchase order for each order to be placed under the 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. During the Year, sales of corn sweeteners, by the Group to the GBT Group amounted to HK$663 million.

Supply of upstream products

Pursuant to the upstream products master sales agreement dated 30 August 2012, the GBT Group has been sourcing corn starch either in the form of corn steep liquor or starch slurry, from the Group as one of the principal production materials for the GBT Group's production. Under the upstream products master sales agreement, the prices shall 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, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the upstream products master sales agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. During the Year, sales of corn starch from the Group to the GBT Group amounted to HK$21 million.

Sales agency service

Pursuant to the sales agency agreement dated 10 December 2010 ("Yuancheng Sales Agency Agreement"), the GBT Group has been providing sales agency service to Jinzhou Yuancheng, a wholly owned subsidiary of the Company, for the sale of corn starch and other co-products. Under the Yuancheng Sales Agency Agreement, Jinzhou Yuancheng shall reimburse the GBT Group for its costs for the performance of its obligations under the Yuancheng Sales Agency Agreement on a semi-annual basis and there would not be any other agency fee being charged by the GBT Group for the services rendered. During the Year, the fee paid by Jinzhou Yuancheng for the sales agency service amounted to HK$7 million.

Pursuant to the sales agency agreement dated 17 November 2011 ("Jincheng Sales Agency Agreement", together with the Yuancheng Sales Agency Agreement, the "Sales Agency Agreements"), the GBT Group has been providing sales agency service to Changchun Jincheng, a wholly owned subsidiary of the Company, for the sale of corn starch and other co-products. Under the Jincheng Sales Agency Agreement, Changchun Jincheng shall reimburse the GBT Group for its costs for the performance of its obligations under the Jincheng Sales Agency Agreement on a semi-annual basis and there would not be any other agency fee being charged by the GBT Group for the services rendered. During the Year, the fee paid by Changchun Jincheng for the sales agency service amounted to HK$2 million.

The GBT Group holds in aggregate 64.04% interest in the share capital of the Company. The above transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) the aggregate consideration charged by or to the Group in respect of the continuing connected transactions during the year had not exceeded the respective caps as set out in the Prospectus. The auditors of the Company have confirmed that the continuing connected transactions have complied with the matters as set out in Rule 14A.38 of the Listing Rules.

Other than the aforementioned continuing connected transactions, the related party transactions disclosed in note 37 to the financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirement of Chapter 14A of the Listing Rules, saved for the sales commission paid to a related company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

The Group is principally engaged in the manufacture and sale of various corn sweeteners, which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The production and sale of corn starch and Co-Products are not the core business of the Group and the management team of the Group is substantially independent from the management team of the GBT Group. The core business of the Group is not dependent or otherwise rely on the sales of corn starch and/or the Co-products and also given the execution of the Non-compete Undertaking, the Directors consider that the Group is capable of carrying on its own business independently of, and at arm's length from, the Excluded Business.

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

During the year and up to the date of this report, save as disclosed above, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Kong Zhanpeng
Chairman

Hong Kong
26 March 2013

ERNST & YOUNG
安永

To the shareholders of Global Sweeteners Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Global Sweeteners Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	4,520,146	4,274,680
Cost of sales		(4,169,239)	(3,730,026)
Gross profit		350,907	544,654
Other income and gains	5	49,581	62,469
Selling and distribution expenses		(255,812)	(231,210)
Administrative expenses		(108,830)	(105,943)
Other expenses		(15,773)	(4,588)
Finance costs	7	(127,749)	(73,682)
Share of losses of jointly-controlled entities	20	(1,324)	(2,598)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	(109,000)	189,102
Income tax expense	10	(24,756)	(43,926)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(133,756)	145,176
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	(119,819)	(1,846)
PROFIT/(LOSS) FOR THE YEAR		(253,575)	143,330
OTHER COMPREHENSIVE INCOME			
Gains on property revaluation		–	51,881
Income tax effect		–	(12,971)
		–	38,910
Exchange differences on translation of financial statements of operations outside Hong Kong		25,747	82,402
Share of other comprehensive income of jointly-controlled entities		–	4,313
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		25,747	125,625
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(227,828)	268,955

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Profit/(loss) attributable to:			
Owners of the parent	11	**(247,494)**	144,072
Non-controlling interests		**(6,081)**	(742)
		(253,575)	143,330
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(222,196)**	269,242
Non-controlling interests		**(5,632)**	(287)
		(227,828)	268,955
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic			
— For profit/(loss) for the year		**HK$(0.162)**	HK$0.120
— For profit/(loss) from continuing operations		**HK$(0.088)**	HK$0.121
Diluted			
— For profit/(loss) for the year		**HK$(0.162)**	HK$0.120
— For profit/(loss) from continuing operations		**HK$(0.088)**	HK$0.121

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,612,495**	1,611,046
Prepaid land lease payments	16	**223,864**	209,405
Deposits paid for acquisition of property, plant and equipment		**23,810**	39,716
Goodwill	17	**183,538**	183,538
Other intangible assets	18	**3,243**	9,316
Prepayments, deposits and other receivables	24	**—**	8,435
Deferred tax assets	29	**2,022**	1,383
Breeding biological assets	21	**—**	9,007
Investments in jointly-controlled entities	20	**—**	99,087
Total non-current assets		**2,048,972**	2,170,933
CURRENT ASSETS			
Inventories	22	**1,065,427**	1,165,611
Trade and bills receivables	23	**597,585**	782,681
Prepayments, deposits and other receivables	24	**296,504**	53,194
Trading biological assets	21	**-**	1,573
Due from jointly-controlled entities	37(iii)	**-**	731
Due from the immediate holding company	37(iii)	**21,408**	21,086
Due from fellow subsidiaries	37(iii)	**645,895**	645,696
Cash and cash equivalents	25	**557,551**	496,816
Total current assets		**3,184,370**	3,167,388
CURRENT LIABILITIES			
Trade payables	26	**78,018**	60,752
Other payables and accruals	27	**177,675**	207,441
Interest-bearing bank borrowings	28	**1,478,642**	1,753,545
Due to fellow subsidiaries	37(iii)	**688,736**	522,725
Due to the ultimate holding company	37(iii)	**26,739**	24,896
Tax payable		**27,729**	28,480
Total current liabilities		**2,477,539**	2,597,839
NET CURRENT ASSETS		**706,831**	569,549
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,755,803**	2,740,482

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,755,803	2,740,482
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	323,025	78,358
Deferred tax liabilities	29	107,696	98,063
Deferred income		1,128	1,128
Total non-current liabilities		431,849	177,549
Net assets		2,323,954	2,562,933
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	152,759	152,759
Reserves	32(a)	2,176,973	2,410,084
		2,329,732	2,562,843
Non-controlling interests		(5,778)	90
Total equity		2,323,954	2,562,933

Kong Zhanpeng
Director

Lee Chi Yung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Attributable to owners of the parent									
		Issued capital	Share premium account	Asset revaluation reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011		114,948	753,121	24,534	100,838	177,906	1,570	746,619	1,919,536	7,376	1,926,912
Profit for the year		–	–	–	–	–	–	144,072	144,072	(742)	143,330
Other comprehensive income for the year:											
Revaluation surplus, net of deferred tax		–	–	38,910	–	–	–	–	38,910	–	38,910
Exchange realignment		–	–	–	–	81,947	–	–	81,947	455	82,402
Share of other comprehensive income of jointly-controlled entities		–	–	–	–	4,313	–	–	4,313	–	4,313
Total comprehensive income for the year		–	–	38,910	–	86,260	–	144,072	269,242	(287)	268,955
Issue of shares		37,811	321,758	–	–	–	(154)	–	359,415	–	359,415
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(6,046)	(6,046)
Acquisition of non-controlling interests		–	–	–	–	–	–	(3,876)	(3,876)	(953)	(4,829)
Equity-settled share option arrangement	31	–	–	–	–	–	18,526	–	18,526	–	18,526
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	(1,416)	1,416	–	–	–
Transfer from retained profits		–	–	–	18,354	–	–	(18,354)	–	–	–
At 31 December 2011		152,759	1,074,879	63,444	119,192	264,166	18,526	869,877	2,562,843	90	2,562,933

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to owners of the parent									
	Note	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		152,759	1,074,879	63,444	119,192	264,166	18,526	869,877	2,562,843	90	2,562,933
Loss for the year		–	–	–	–	–	–	(247,494)	(247,494)	(6,081)	(253,575)
Other comprehensive income for the year: Exchange realignment		–	–	–	–	25,298	–	–	25,298	449	25,747
Total comprehensive income/(loss) for the year		–	–	–	–	25,298	–	(247,494)	(222,196)	(5,632)	(227,828)
Obtain control over jointly-controlled entities	33(a)	–	–	(419)	–	(12,582)	–	419	(12,582)	7,746	(4,836)
Acquisition of non-controlling interests		–	–	–	–	–	–	1,667	1,667	(7,982)	(6,315)
Transfer from retained profits		–	–	–	3,921	–	–	(3,921)	–	–	–
At 31 December 2012		152,759	1,074,879*	63,025*	123,113*	276,882*	18,526*	620,548*	2,329,732	(5,778)	2,323,954

Certain subsidiaries which were established in the PRC are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until they reach 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. These reserves may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

* These reserve accounts comprise the consolidated reserves of the Group of HK$2,176,973,000 (2011: HK$2,410,084,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		(109,000)	189,102
From a discontinued operation		(119,819)	(1,846)
Adjustments for:			
Finance costs	7	127,749	73,682
Gain on bargain purchase	5	(13,479)	(25,377)
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	5	(12,582)	—
Fair value loss of investments in jointly-controlled entities	5	1,710	—
Equity-settled share option expense	31	—	18,526
Bank interest income	5	(2,989)	(1,620)
Depreciation	15	142,684	104,488
Loss on disposal of items of property, plant and equipment	6	2,375	369
Loss on disposal of biological assets		8,525	828
Changes in fair value of biological assets		—	(238)
Amortisation of prepaid land lease payments	16	7,471	5,796
Amortisation of other intangible assets	18	284	25
Share of losses of jointly-controlled entities	20	1,324	2,598
Impairment of trade and bills receivables	23	69,345	12,176
Impairment of prepayments, deposits and other receivables		13,356	751
Write-down of inventories to net realisable value		14,853	1,691
Impairment of items of property, plant and equipment	15	8,249	—
Impairment of other intangible assets	18	5,789	—
		145,845	380,951
Decrease in inventories		86,193	10,545
Decrease in trading biological assets		—	839
Decrease/(increase) in trade and bills receivables		115,751	(135,554)
(Increase)/decrease in prepayments, deposits and other receivables		(245,995)	7,067
Increase/(decrease) in trade payables		20,998	(75,764)
(Decrease)/increase in other payables and accruals		(30,454)	19,527
Decrease in amounts due from fellow subsidiaries		21,554	59,475
Decrease in amounts due from jointly-controlled entities		13	3,088
Decrease in amounts due to fellow subsidiaries		(40,989)	(110,027)
Decrease in amounts due to jointly-controlled entities		—	(17,299)
Cash generated from operations		72,916	142,848

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash generated from operations		72,916	142,848
Interest received		2,989	1,620
Overseas taxes paid		(21,868)	(12,701)
Net cash flows from operating activities		54,037	131,767
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of prepaid land lease payments	16	(344)	(6,111)
Purchases of items of property, plant and equipment		(95,298)	(203,510)
Proceeds from disposal of items of property, plant and equipment		4,430	—
Purchases of breeding biological assets	21	(1,663)	(1,948)
Additions to other intangible assets	18	—	(9,341)
Dividend received from a jointly-controlled entity		7,636	—
Acquisition of subsidiaries	33	64,241	7,814
Net cash flows used in investing activities		(20,998)	(213,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		2,006,292	802,512
Repayment of bank borrowings		(2,058,156)	(566,341)
Interest paid	7	(127,749)	(73,682)
Equity-settled share option arrangement		—	525
Dividends paid to non-controlling shareholders		—	(6,046)
Acquisition of non-controlling interests		(6,315)	(4,829)
Increase in an amount due from the immediate holding company		(322)	—
Increase in amounts due from fellow subsidiaries		(21,753)	(6,495)
Decrease/(increase) in amounts due from jointly-controlled entities		80	(709)
Increase in an amount due to the ultimate holding company		1,843	3,752
Increase/(decrease) in amounts due to fellow subsidiaries		207,000	(5,003)
Net cash flows from financing activities		920	143,684
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,959	62,355
Cash and cash equivalents at beginning of year		496,816	377,559
Effect of foreign exchange rate changes, net		26,776	56,902
CASH AND CASH EQUIVALENTS AT END OF YEAR		557,551	496,816
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	505,207	444,670
Non-pledged time deposits with original maturity of less than three months when acquired	25	52,344	52,146
		557,551	496,816

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**951,399**	791,713
Total non-current assets		**951,399**	791,713
CURRENT ASSETS			
Due from the ultimate holding company	37(iii)	**81,800**	81,800
Due from the immediate holding company	37(iii)	**323**	—
Due from subsidiaries	37(iii)	**1,363,881**	1,336,132
Prepayments, deposits and other receivables	24	**1,278**	303
Cash and cash equivalents	25	**85,510**	93,978
Total current assets		**1,532,792**	1,512,213
CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**70,000**	80,000
Due to subsidiaries	37(iii)	**442,877**	418,901
Due to fellow subsidiaries	37(iii)	**32,468**	—
Other payables and accruals	27	**6,906**	15,355
Total current liabilities		**552,251**	514,256
NET CURRENT ASSETS		**980,541**	997,957
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,931,940**	1,789,670
NON-CURRENT LIABILITIES			
Financial guarantee contracts		**104,162**	7,976
Total non-current liabilities		**104,162**	7,976
Net assets		**1,827,778**	1,781,694
EQUITY			
Issued capital	30	**152,759**	152,759
Reserves	32(b)	**1,675,019**	1,628,935
Total equity		**1,827,778**	1,781,694

Kong Zhanpeng
Director

Lee Chi Yung
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower 2, No. 18 Harcourt Road, Hong Kong. The Group was involved in the manufacture and sale of corn refined products, corn based sweetener products, and the retail beef business. In the current year, the Company has decided to exit its retail beef business.

The Company is a subsidiary of Global Corn Bio-chem Technology Company Limited (the "immediate holding company" or "Global Corn Bio-chem"), a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is Global Bio-chem Technology Group Company Limited (the "ultimate holding company"), a company incorporated in the Cayman Islands whose shares are also listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for biological assets, and certain property, plant and equipment with periodic remeasurement at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$").

During the year, a subsidiary of the Company was granted a long term loan of RMB200,000,000 by a bank which was repayable in 2014. Pursuant to the loan facility agreement, a termination event would arise if the subsidiary cannot meet the financial covenants as set out therein. At the end of the reporting period, the subsidiary was unable to comply with certain of these covenants. Accordingly, the whole amount of the long term loan has been reclassified from long term bank borrowings to short term bank borrowings at 31 December 2012. This non-compliance may also trigger cross default of other short term loan agreements in the aggregate outstanding principal amount of RMB280,000,000. The directors have been taking action to rectify the non-compliance. The directors considered that the Group's inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKFRS 7, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First—time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments*: *Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group’s policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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 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 venture'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 investments in its jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in profit or loss and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. 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.

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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, biological assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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 profit or loss in the period in which it arises, 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 the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 an impairment loss is credited to profit or loss 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 is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly-controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly.

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 profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. 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	2.0-4.5%
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 least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised 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 profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks are measured initially at purchase cost and are amortised on the straight-line basis over their estimated useful lives.

Golf club membership

Golf club membership is stated at cost less impairment losses, if any. The carrying amount of individual golf club membership is reviewed at the end of each reporting period to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such golf club membership is reduced to its fair value. The amount of the reduction is recognised as an expense in profit or loss.

Biological assets

Biological assets represent breeding cattle recorded as non-current assets and trading cattle recorded as current assets. The biological assets are measured at their fair value on initial recognition and at the end of each reporting period less estimated costs to sell. The fair values of the biological assets are determined based on the most recent market transaction prices. Change in fair value less estimated costs to sell of a biological asset is included in profit or loss for the period in which it arises.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, 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.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

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 when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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 there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings and amounts due to the ultimate holding company, and the fellow subsidiaries.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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 profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories, other than the agricultural products which are measured in accordance with the accounting policy for “biological assets” above, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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 end of the reporting period 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 profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

- when the deferred tax liability arises from the initial recognition of goodwill or 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 joint ventures, when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when 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 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

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 over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss 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 Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the mainland of the People's Republic of China ("Mainland China") are required to participate in the retirement benefit schemes (the "PRC RB Schemes") operated by the respective local municipal governments 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 profit or loss as they become payable in accordance with the rules of the PRC RB Schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

Foreign currencies

These financial statements are 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income.

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 gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries 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 which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amount recognised in the financial statements:

Recognition of a deferred tax liability for withholding taxes

The Group determines that no dividends to be distributed from the PRC subsidiaries to the Company or any subsidiary outside Mainland China in the next five years could give rise to the recognition of withholding taxes. Therefore, no deferred tax liability for withholding taxes was recognised in these financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of leasehold buildings

In the absence of current prices in an active market for similar properties, the Group considers information by reference to the valuation performed by an independent valuer based on the open market value basis.

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 at 31 December 2012 was HK$183,538,000 (2011: HK$183,538,000). Further details are given in note 17 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with a similar asset that is used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that property, plant and equipment may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of property, plant and equipment. This requires an estimation of the value in use of property, plant and equipment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 31 December 2012 was HK$1,612,495,000 (2011: HK$1,611,046,000). Further details are given in note 15 to the financial statements.

Impairment of trade receivables

The policy for provision for impairment loss of the Group is based on the evaluation of collectability, the aged analysis of trade receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The Group reviews an aged analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2012, the carrying amount of inventories was approximately HK$1,065,427,000 after netting off the allowances for inventories of approximately HK$5,878,000.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the corn refined products segment comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products; and

(b) the corn based sweetener products segment engages in the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup, crystallised glucose and maltodextrin.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs as well as corporate gains and expenses are excluded from this measurement.

Segment assets exclude cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, the amount due to the ultimate holding company and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue is derived from customers based in Mainland China and in regions other than Mainland China. Another basis on which the Group reports its segment information is by geographical region.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012	Corn refined products HK$'000	Corn based sweetener products HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,875,841	2,644,305	4,520,146
Intersegment sales	551,844	–	551,844
	2,427,685	2,644,305	5,071,990
Reconciliation:			
Elimination of intersegment sales			(551,844)
Revenue from continuing operations			4,520,146
Segment results	(69,226)	75,910	6,684
Reconciliation:			
Bank interest income			2,989
Unallocated gains			22,241
Corporate and other unallocated expenses			(13,165)
Finance costs			(127,749)
Loss before tax from continuing operations			(109,000)
Segment assets	2,298,973	2,049,536	4,348,509
Reconciliation:			
Elimination of intersegment receivables			(123,110)
Cash and cash equivalents			557,551
Corporate and other unallocated assets			443,707
Assets related to a discontinued operation			6,685
Total assets			5,233,342
Segment liabilities	626,678	276,000	902,678
Reconciliation:			
Elimination of intersegment payables			(123,110)
Interest-bearing bank borrowings			1,801,667
Corporate and unallocated liabilities			326,991
Liabilities related to a discontinued operation			1,162
Total liabilities			2,909,388
Other segment information:			
Share of losses of jointly-controlled entities	–	(1,324)	(1,324)
Capital expenditure*	70,672	89,225	159,897
Depreciation	79,528	62,560	142,088
Amortisation of prepaid land lease payments	5,299	2,172	7,471
Impairment of trade and bills receivables	7,002	3,762	10,764
Write-down/(write-back) of inventories to net realisable value	(132)	1,087	955

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, and other intangible assets, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011	Corn refined products HK$'000	Corn based sweetener products HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,580,683	2,693,997	4,274,680
Intersegment sales	633,684	—	633,684
	2,214,367	2,693,997	4,908,364
Reconciliation:			
Elimination of intersegment sales			(633,684)
Revenue from continuing operations			4,274,680
Segment results	46,638	224,797	271,435
Reconciliation:			
Bank interest income			1,584
Unallocated gains			35,508
Corporate and other unallocated expenses			(45,743)
Finance costs			(73,682)
Profit before tax from continuing operations			189,102
Segment assets	2,420,025	1,903,966	4,323,991
Reconciliation:			
Elimination of intersegment receivables			(226,468)
Cash and cash equivalents			496,816
Corporate and other unallocated assets			614,663
Assets related to a discontinued operation			129,319
Total assets			5,338,321
Segment liabilities	248,994	268,183	517,177
Reconciliation:			
Elimination of intersegment payables			(226,468)
Interest-bearing bank borrowings			1,831,903
Corporate and unallocated liabilities			532,159
Liabilities related to a discontinued operation			120,617
Total liabilities			2,775,388
Other segment information:			
Share of losses of jointly-controlled entities	—	(2,598)	(2,598)
Capital expenditure	454,881	87,385	542,266
Depreciation	45,512	58,198	103,710
Amortisation of prepaid land lease payments	3,723	1,777	5,500
Impairment/(write-back) of trade and bills receivables	(244)	374	130
Impairment of other receivables	—	751	751
Write down/(write-back) of inventories to net realisable value	2,040	(349)	1,691

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2012 HK$'000	2011 HK$'000
Mainland China	4,290,111	4,052,581
Regions other than Mainland China	230,035	222,099
	4,520,146	4,274,680

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2012 HK$'000	2011 HK$'000
Mainland China	2,043,298	2,122,704
Regions other than Mainland China	3,652	46,846
	2,046,950	2,169,550

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue from continuing operations of approximately HK$663,183,000 (2011: HK$730,120,000) and HK$21,470,000 (2011: nil) during the year ended 31 December 2012 was derived from sales by the corn based sweetener products segment and the corn refined products segment, respectively, to group companies of the ultimate holding company.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains from continuing operations is as follows:

	Note	Group 2012 HK$'000	Group 2011 HK$'000
Revenue			
Sale of goods		**4,520,146**	4,274,680
Other income			
Bank interest income		**2,989**	1,584
Net profit arising from sale of packing materials and by-products		**15,230**	16,468
Government grants*		**2,823**	6,334
Others		**4,188**	12,706
		25,230	37,092
Gains			
Gain on bargain purchase	33	**13,479**	25,377
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	33(a)	**12,582**	—
Fair value loss of investments in jointly-controlled entities	33(a)	**(1,710)**	—
		24,351	25,377
		49,581	62,469

* Government grants for 2012 represented the rewards to certain subsidiaries located in Mainland China.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):

	Note	Group 2012 HK$'000	Group 2011 HK$'000
Cost of inventories sold		3,451,397	3,140,168
Depreciation		142,088	103,710
Amortisation of prepaid land lease payments		7,471	5,500
Auditors' remuneration		3,081	2,485
Employee benefit expenses (excluding directors' remuneration (note 8))			
Wages and salaries		55,351	47,176
Equity-settled share option expense		—	5,546
Pension scheme contributions		6,590	6,243
		61,941	58,965
Foreign exchange differences, net		600	(8,690)
Gain on bargain purchase*	33	(13,479)	(25,377)
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	33(a)	(12,582)	—
Fair value loss of investments in jointly-controlled entities	33(a)	1,710	—
Write-down of inventories to net realisable value		955	1,691
Impairment of trade and bills receivables		10,764	130
Impairment of prepayments, deposits and other receivables		—	751
Loss on disposal of items of property, plant and equipment		2,375	369

* Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of comprehensive income.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group 2012 HK$'000	2011 HK$'000
Interest on bank loans wholly repayable within five years	128,205	62,334
Finance costs for discounting bills receivable	4,480	11,348
Total interest expense on financial liabilities not at fair value through profit or loss	132,685	73,682
Less: interest capitalised	(4,936)	—
	127,749	73,682

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2012 HK$'000	2011 HK$'000
Fees	768	768
Other emoluments:		
Salaries, allowances and benefits in kind	5,580	4,654
Performance-related bonuses	—	7,000
Equity-settled share option expense	—	12,980
Pension scheme contributions	28	24
	5,608	24,658
	6,376	25,426

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to a management bonus. In addition, executive directors with special contributions to the Group may be entitled to a special bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to owners of the parent in respect of that financial year. For the year ended 31 December 2012, no bonus was paid to the executive directors and the chief executive. For the year ended 31 December 2011, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 4.9% of the net profit from ordinary activities attributable to owners of the parent.

During the year ended 31 December 2011, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of these options, which has been recognised in profit or loss, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2011 is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

2012	**Fees HK$'000**	**Equity-settled share option expense HK$'000**	**Total HK$'000**
Independent non-executive directors:			
Mr. Chan Yuk Tong	**264**	**–**	**264**
Mr. Gao Yunchun	**240**	**–**	**240**
Mr. Ho Lic Ki	**264**	**–**	**264**
	768	**–**	**768**

2011	Fees HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
Independent non-executive directors:			
Mr. Chan Yuk Tong	264	1,180	1,444
Mr. Gao Yunchun	240	–	240
Mr. Ho Lic Ki	264	1,180	1,444
	768	2,360	3,128

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, and the chief executive

2012	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Kong Zhanpeng	3,600	–	–	14	3,614
Mr. Zhang Fazheng*	780	–	–	–	780
Mr. Xu Zhouwen**	–	–	–	–	–
Mr. Lee Chi Yung	1,200	–	–	14	1,214
	5,580	–	–	28	5,608

2011	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Kong Zhanpeng	3,180	5,000	3,540	12	11,732
Mr. Zhang Fazheng*	470	600	1,180	–	2,250
Mr. Xu Zhouwen**	–	–	3,540	–	3,540
Mr. Lee Chi Yung	1,004	1,400	2,360	12	4,776
	4,654	7,000	10,620	24	22,298

* Mr. Zhang Fazheng, one of the executive directors of the Company, is also the chief executive officer of the Company.

** Mr. Xu Zhouwen, one of the executive directors of the Company, passed away on 20 August 2012.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2011: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2011: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	1,085	720
Equity-settled share option expense	—	1,180
Pension scheme contributions	28	12
	1,113	1,912

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2012 Number of individuals	2011 Number of individuals
Nil to HK$1,000,000	2	—
HK$1,000,001 to HK$1,500,000	—	—
HK$1,500,001 to HK$2,000,000	—	1

During the year ended 31 December 2011, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of these options, which has been recognised in profit or loss, was determined as at the date of grant and the amount included in the financial statements is included in the above non-director, highest paid employee's remuneration disclosures.

No emolument was paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2012 and 31 December 2011.

10. INCOME TAX

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 rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012 HK$'000	2011 HK$'000
Current — Hong Kong	—	—
Current — Elsewhere	20,402	41,528
Deferred (note 29)	4,354	2,398
Total tax charge for the year	24,756	43,926

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2012	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Loss before tax from continuing operations	(489)		(108,511)		(109,000)	
Tax at the statutory rate	(81)	16.6	(27,128)	25.0	(27,209)	25.0
Tax losses utilised from previous periods	—	—	(287)	0.3	(287)	0.3
Adjustments in respect of current tax of previous periods	—	—	3,922	(3.6)	3,922	(3.6)
Unrecognised tax losses	3,124	(638.9)	45,644	(42.1)	48,768	(44.8)
Income not subject to tax	(3,848)	786.9	—	—	(3,848)	3.5
Expenses not deductible for tax	805	(164.6)	2,605	(2.4)	3,410	(3.1)
Tax charge at the Group's effective rate	—	—	24,756	(22.8)	24,756	(22.7)

Group — 2011	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax from continuing operations	(54,232)		243,334		189,102	
Tax at the statutory rate	(8,948)	16.5	60,834	25.0	51,886	27.4
Preferential tax rate offered (note (a))	—	—	(12,952)	(5.3)	(12,952)	(6.8)
Lower tax rate for tax relief granted (note (b))	—	—	(1,374)	(0.6)	(1,374)	(0.7)
Tax losses utilised from previous periods	—	—	(1,864)	(0.8)	(1,864)	(1.0)
Unrecognised tax losses	7,775	(14.3)	6,216	2.6	13,991	7.3
Income not subject to tax	(76)	0.1	(7,364)	(3.0)	(7,440)	(3.9)
Expenses not deductible for tax	1,249	(2.3)	430	0.2	1,679	0.9
Tax charge at the Group's effective rate	—	—	43,926	18.1	43,926	23.2

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2011: 25%).

10. INCOME TAX *(continued)*

Notes:

(a) No (2011: one) subsidiary was subject to tax concessions in 2012. In the year ended 31 December 2011, the total taxable profit of the subsidiary that was subject to tax concessions amounted to approximately HK$107,937,000. It was granted tax concessions by the state tax bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which this subsidiary would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

(b) In the year ended 31 December 2011, the tax rate of two subsidiaries, which were granted the Technologically Advanced Enterprise status and were entitled to a lower applicable tax rate under Article 75 of the Detailed Rules and Regulation for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, shall be gradually transitioned to the new statutory tax rate within a period of five years. As a result, the subsidiaries enjoyed the corporate income tax rates of 15% in 2007, 18% in 2008, 20% in 2009 and 22% in 2010 and are subject to the corporate income tax rates of 24% in 2011 and 25% in 2012.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2012 includes a profit of HK$46,084,000 (2011: loss of HK$38,441,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DISCONTINUED OPERATION

On 21 December 2012, the Company announced the decision of its board of directors to exit its retail beef business in order to eliminate the risks of quality assurance in view of the tightening food safety policy in Mainland China and enable the Group to channel its resources to the core corn based business.

The results of the retail beef business for the year are presented below:

	2012 HK$'000	2011 HK$'000
Revenue	4,968	139,397
Cost of sales	(5,193)	(126,663)
Other revenue	3	413
Selling and distribution expenses	(486)	(637)
Administrative expenses	(8,731)	(1,482)
Other expenses	(110,380)	(12,874)
Loss before tax from the discontinued operation	(119,819)	(1,846)
Income tax	—	—
Loss for the year from the discontinued operation	(119,819)	(1,846)

12. DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by the discontinued operation are as follows:

	2012 HK$'000	2011 HK$'000
Operating activities	(6,531)	17,694
Investing activities	(7)	(9,922)
Financing activities	1,270	(4,160)
Net cash inflow/(outflow)	(5,268)	3,612
Loss per share:		
Basic, from the discontinued operation	HK$(0.075)	HK$(0.001)
Diluted, from the discontinued operation	HK$(0.075)	HK$(0.001)

The calculations of basic and diluted earnings/(loss) per share from the discontinued operation are based on:

	2012	2011
Loss attributable to ordinary equity holders of the parent from the discontinued operation	HK$(113,828,000)	HK$(1,104,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation (note 14)	1,527,586,000	1,196,261,000
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation (note 14)	1,527,586,000	1,196,261,000

13. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: nil).

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK$247,494,000 (2011 profit: HK$144,072,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 (2011: 1,196,261,000).

As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the years ended 31 December 2012 and 2011, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the years ended 31 December 2012 and 2011. Therefore, the diluted loss per share amount was equal to the basic loss per share amount for the years ended 31 December 2012 and 2011.

15. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2012	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
At 1 January 2012	754,747	1,268,923	30,408	45,039	2,099,117
Additions	4,843	14,308	3,640	88,413	111,204
Acquisition of subsidiaries (note 33(a))	15,827	12,206	487	–	28,520
Disposals	(630)	(11,240)	(331)	(818)	(13,019)
Transfers	3,363	22,770	–	(26,133)	–
Exchange realignment	8,849	19,365	425	590	29,229
At 31 December 2012	786,999	1,326,332	34,629	107,091	2,255,051
Accumulated depreciation:					
At 1 January 2012	89,453	382,155	16,463	–	488,071
Depreciation provided during the year	23,896	112,758	6,030	–	142,684
Disposals	(75)	(5,796)	(343)	–	(6,214)
Exchange realignment	1,602	7,912	252	–	9,766
At 31 December 2012	114,876	497,029	22,402	–	634,307
Impairment					
At 1 January 2012	–	–	–	–	–
Impairment	8,249	–	–	–	8,249
At 31 December 2012	8,249	–	–	–	8,249
Net book value:					
At 31 December 2012	663,874	829,303	12,227	107,091	1,612,495
At 31 December 2011	665,294	886,768	13,945	45,039	1,611,046
Analysis of cost or valuation:					
At cost	–	829,303	12,227	107,091	948,621
At 31 December 2012 valuation	663,874	–	–	–	663,874
	663,874	829,303	12,227	107,091	1,612,495

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

31 December 2011	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
At 1 January 2011	498,158	973,785	23,632	25,568	1,521,143
Additions	11,368	16,959	5,337	109,367	143,031
Acquisition of subsidiaries (note 33(b))	139,220	151,312	999	3,048	294,579
Surplus on revaluation	51,881	–	–	–	51,881
Disposals	–	(1,452)	(791)	–	(2,243)
Transfers	25,877	68,546	81	(94,504)	–
Exchange realignment	28,243	59,773	1,150	1,560	90,726
At 31 December 2011	754,747	1,268,923	30,408	45,039	2,099,117
Accumulated depreciation:					
At 1 January 2011	65,901	285,467	12,083	–	363,451
Depreciation provided during the year	19,534	80,381	4,573	–	104,488
Disposals	–	(1,100)	(774)	–	(1,874)
Exchange realignment	4,018	17,407	581	–	22,006
At 31 December 2011	89,453	382,155	16,463	–	488,071
Net book value:					
At 31 December 2011	665,294	886,768	13,945	45,039	1,611,046
At 31 December 2010	432,257	688,318	11,549	25,568	1,157,692
Analysis of cost or valuation:					
At cost	–	886,768	13,945	45,039	945,752
At 31 December 2011 valuation	665,294	–	–	–	665,294
	665,294	886,768	13,945	45,039	1,611,046

The Group's leasehold buildings with the lease terms of 50 years or shorter were stated at the recent valuation less accumulated depreciation and impairment.

At 31 December 2011, 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 approximately HK$665,294,000. A surplus on revaluation of approximately HK$51,881,000 arising from the 2011 valuation has been credited to the asset revaluation reserve during the year ended 31 December 2011. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2012, no revaluation has been performed as at that date.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$577,016,000 (2011: HK$578,436,000).

At 31 December 2012, no leasehold building of the Group was pledged to secure banking facilities granted to the Group (2011: Nil).

At 31 December 2012, the applications for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$19,519,000 (2011: HK$23,276,000) were still in progress.

16. PREPAID LAND LEASE PAYMENTS

		Group	
	Note	**2012 HK$'000**	2011 HK$'000
Carrying amount at 1 January		**216,464**	111,398
Additions		**344**	6,111
Acquisition of subsidiaries	33	**19,829**	97,329
Recognised during the year		**(7,471)**	(5,796)
Exchange realignment		**2,199**	7,422
Carrying amount at 31 December		**231,365**	216,464
Current portion included in prepayments, deposits and other receivables		**(7,501)**	(7,059)
Non-current portion		**223,864**	209,405

The leasehold land with lease terms of 50 years or shorter is situated outside Hong Kong.

17. GOODWILL

	Group	
	2012 HK$'000	2011 HK$'000
Cost and net carrying amount at 1 January and 31 December	**183,538**	183,538

Impairment testing of goodwill

Certain of the Group's goodwill related to Changchun Dihao Food Development Co., Ltd. ("Changchun Dihao") which was acquired by the Group during the years ended 31 December 2004 and 2005. 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 fifteen-year period. The discount rate applied to cash flow projections is 13% (2011: 13%). No growth has been projected beyond the five-year period.

In addition, certain of the Group's goodwill related to Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") which was acquired by the Group during the year ended 31 December 2008. The recoverable amount of Jinzhou Yuancheng has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2011: 13%). No growth has been projected beyond the five-year period.

17. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Assumptions were used in the value in use calculation of cash-generating units for 31 December 2012 and 31 December 2011. 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 units.

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 local markets from which raw materials are sourced.

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

31 December 2012	**Golf club membership HK$'000**	**Trademarks HK$'000**	**Total HK$'000**
Cost at 1 January 2012, net of accumulated amortisation	3,243	6,073	9,316
Amortisation provided during the year	—	(284)	(284)
Impairment during the year	—	(5,789)	(5,789)
At 31 December 2012	3,243	—	3,243
At 31 December 2012:			
Cost	3,243	—	3,243
Accumulated amortisation	—	—	—
Net carrying amount	3,243	—	3,243

31 December 2011	Golf club membership HK$'000	Trademarks HK$'000	Total HK$'000
Cost at 1 January 2011, net of accumulated amortisation	—	—	—
Additions	3,243	6,098	9,341
Amortisation provided during the year	—	(25)	(25)
At 31 December 2011	3,243	6,073	9,316
At 31 December 2011:			
Cost	3,243	6,098	9,341
Accumulated amortisation	—	(25)	(25)
Net carrying amount	3,243	6,073	9,316

19. INVESTMENTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted shares	951,399	791,713

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners Investments Limited ("Global Sweeteners")	British Virgin Islands	US$100	100	Investment holding
Global Sweeteners (China) Limited ("GS (China)")	British Virgin Islands	US$2	100	Investment holding
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000	100	General administration
Global Sweeteners Retail Investment Company Limited	Hong Kong	HK$10,000	100	Investment holding
Global Starch Investments Limited	Hong Kong	HK$10,000	100	Investment holding
Global Sweeteners Investments Limited	Hong Kong	HK$1	100	Investment holding
Global Starch (BVI) Investments Limited	British Virgin Islands	US$1	100	Investment holding
Indirectly held:				
Datex Investment Limited	Hong Kong	HK$2	100	Investment holding
Eternal Win Investments Limited	British Virgin Islands	US$2	100	Investment holding
Global Sorbitol (H.K.) Company Limited	Hong Kong	US$200	100	Investment holding
Global Sweeteners (China) Limited	Hong Kong	HK$1,000	100	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd.*	The People's Republic of China (the"PRC")/ Mainland China	RMB81,000,000	100	Manufacture and sale of corn based sweetener products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/Mainland China	US$49,504,000	100	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC/Mainland China	US$6,668,000	100	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC/Mainland China	US$22,200,000	100	Manufacture and sale of crystallised sugar

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/Mainland China	US$7,770,000	100	Manufacture and sale of corn based sweetener products
Global Sweeteners Trade Development (Dalian) Co., Ltd.*	PRC/Mainland China	US$9,100,000	100	International trading, exhibition and consultation
Changchun Jincheng Corn Development Co., Ltd.	PRC/Mainland China	RMB98,700,000	100	Manufacture and sale of corn refined products
Global Starch (Changchun) Investments Limited	Hong Kong	HK$10,000	100	Investment holding
Longjiang GSH Grains Co., Ltd.*	PRC/Mainland China	RMB12,000,000	100	Corn procurement
Beipiao GSH Grains Trading Co., Ltd.*	PRC/Mainland China	RMB3,000,000	100	Corn procurement
Shanghai Da Yi Food Co., Ltd.#	PRC/Mainland China	US$3,000,000	100	Manufacture and sale of corn based sweetener products
Global Sweeteners HFCS (Holdings) Limited#	Hong Kong	HK$1,000	100	Investment holding

* Wholly-foreign-owned enterprise
\# Acquired during the year

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2012 HK$'000	2011 HK$'000
Share of net assets	–	59,087
Loan to a jointly-controlled entity	–	40,000
	–	99,087

As at 31 December 2011, the long term loan of HK$40 million to a jointly-controlled entity represented a quasi-equity loan which was stated at cost less impairment. The long term loan of HK$40 million was unsecured, interest-free and would be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly-controlled entity, whichever was earlier. During the year, the jointly-controlled entities became the subsidiaries of the Company following the acquisition of the respective remaining interests by the Group (note 33(a)).

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

Particulars of the then jointly-controlled entities are as follows:

Name	Nominal value of paid-up share/registered capital	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited *	HK$1,000	Hong Kong	2011: 50	2011: 50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd. **	US$3,000,000	PRC/Mainland China	2011: 50	2011: 50	Manufacture and sale of high fructose corn syrup

* Now known as Global Sweeteners HFCS (Holding) Limited

** Wholly-foreign-owned enterprise and now known as Shanghai Da Yi Food Co., Ltd.

All of the above investments in jointly-controlled entities were indirectly held by the Company as at 31 December 2011.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2012 HK$'000	2011 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	–	66,823
Non-current assets	–	16,913
Current liabilities	–	(23,834)
Non-current liabilities	–	(815)
Net assets	–	59,087

	2012 HK$'000	2011 HK$'000
Share of the jointly-controlled entities' results:		
Revenue	–	43,878
Other income	288	831
	288	44,709
Total expenses	(1,612)	(47,307)
Tax	–	–
Loss after tax	(1,324)	(2,598)
Statutory reserve	–	–
Share of losses of jointly-controlled entities	(1,324)	(2,598)

21. BIOLOGICAL ASSETS

At the end of the reporting period, the Group's total amounts and quantities of the biological assets are as follows:

Group

	2012 HK$'000	2011 HK$'000
Breeding biological assets	–	9,007
Trading biological assets	–	1,573
	–	10,580

As at 31 December 2011, the Group's biological assets were revalued on a fair value basis and were independently valued by American Appraisal China Limited. The fair value less estimated point-of-sale costs of the biological assets was determined using the market approach, which was determined based on the most recent market transaction prices.

A reconciliation of the carrying values of biological assets is as follows:

Group

	2012 HK$'000	2011 HK$'000
Breeding cattle		
At 1 January	9,007	7,535
Increase	1,663	1,948
Decrease due to disposal	(10,781)	(762)
Loss arising from changes in fair value less costs to sell	–	(174)
Exchange realignment	111	460
At 31 December	–	9,007
Trading cattle		
At 1 January	1,573	1,948
Decrease due to sales	–	(839)
Decrease due to disposal	(1,593)	(66)
Gain arising from changes in fair value less costs to sell	–	412
Exchange realignment	20	118
At 31 December	–	1,573

22. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Raw materials	931,002	1,010,924
Finished goods	134,425	154,687
	1,065,427	1,165,611

23. TRADE AND BILLS RECEIVABLES

	Group 2012 HK$'000	2011 HK$'000
Trade receivables	492,852	535,421
Bills receivable	186,938	259,963
Impairment	(82,205)	(12,703)
	597,585	782,681

The Group normally allows credit terms of 90 days to established customers, and credit terms of 180 days were allowed to three major customers with long term business relationships and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 26% of the total trade and bills receivables as at 31 December 2012 (2011: one customer accounted for 7%).

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2012 HK$'000	2011 HK$'000
Within 1 month	223,500	322,207
1 to 2 months	184,826	190,508
2 to 3 months	79,331	40,431
Over 3 months	109,928	229,535
	597,585	782,681

23. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in the provision for impairment of trade and bills receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	12,703	2,795
Impairment losses recognised	69,376	12,454
Impairment losses reversed	(31)	(278)
Amount written off as uncollectible	—	(2,439)
Exchange realignment	157	171
	82,205	12,703

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$82,205,000 (2011: HK$12,703,000) with a carrying amount before provision of HK$95,877,000 (2011: HK$68,593,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	547,661	596,151
Less than 1 month past due	19,466	83,813
1 to 3 months past due	18,573	30,002
Over 3 months past due	11,885	72,715
	597,585	782,681

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2012, no trade receivables or bills receivable (2011: HK$28,067,000 and HK$88,565,000 respectively) were pledged to secure bank loans.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Current:				
Prepayments	1,416	1,101	1,278	303
Deposits and other receivables	285,850	37,013	–	–
PRC value-added tax ("VAT") receivables and other tax receivables	1,737	8,021	–	–
Current portion of prepaid land lease payments	7,501	7,059	–	–
	296,504	53,194	1,278	303
Non-current:				
Prepayments	–	8,435	–	–

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash and bank balances	505,207	444,670	33,166	41,832
Time deposits	52,344	52,146	52,344	52,146
Cash and cash equivalents	557,551	496,816	85,510	93,978

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$407,198,000 (2011: HK$409,328,000). The RMB is not freely convertible into other currencies. However, under Mainland China'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 through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aged analysis of the trade payables as at the end of the reporting period, based on the receipt of goods purchased, is as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Within 1 month	**55,178**	45,130
1 to 2 months	**12,693**	6,210
2 to 3 months	**4,594**	7,145
Over 3 months	**5,553**	2,267
	78,018	60,752

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Payables for purchases of machinery	**29,651**	47,851	**–**	–
Customer deposits/receipts in advance	**38,720**	63,970	**–**	–
VAT and other duties payable	**50,931**	35,287	**–**	–
Accrued welfare and others	**58,373**	60,333	**6,906**	15,355
	177,675	207,441	**6,906**	15,355

Other payables are non-interest-bearing and have an average repayment term of three months.

28. INTEREST-BEARING BANK BORROWINGS

Group

	31 December 2012			31 December 2011		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — unsecured	3.15-7.07/ HIBOR	On demand/ 2013	1,171,728	2.4-7.26/ HIBOR	On demand/ 2012	1,626,951
Bank loans — secured	–	–	–	6.56	2012	104,098
Long term bank loans repayable on demand — unsecured	3.85-7.07	On demand	306,914	7.87	On demand	22,496
			1,478,642			1,753,545
Non-current						
Bank loans — unsecured	3.73-7.32	2014/2015	323,025	6.65-6.98	2013/2014	78,358
			323,025			78,358
			1,801,667			1,831,903

Company

	31 December 2012			31 December 2011		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — unsecured	HIBOR	On demand	70,000	HIBOR	On demand	80,000
			70,000			80,000

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	1,478,642	1,753,545	70,000	80,000
In the second year	310,680	58,537	—	—
In the third to fifth years	12,345	19,821	—	—
	1,801,667	1,831,903	70,000	80,000

The carrying amounts of bank borrowings approximated to their fair values.

At 31 December 2012, the Group's bank borrowings were guaranteed by the Company, the Company's ultimate holding company and a certain subsidiary of the Group with the amounts of approximately HK$1,015,618,000 (2011: HK$503,293,000), HK$592,593,000 (2011: HK$668,902,000) and HK$123,457,000 (2011: HK$555,610,000) respectively.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities — Group	**Depreciation allowance in excess of related depreciation** HK$'000	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Revaluation of leasehold buildings** HK$'000	**Total** HK$'000
At 1 January 2011	24,857	26,541	7,100	58,498
Deferred tax charged to profit or loss during the year (note 10)	3,186	—	—	3,186
Deferred tax charged to other comprehensive income during the year	—	—	12,971	12,971
Acquisition of subsidiaries (note 33(b))	—	20,412	—	20,412
Exchange realignment	2,996	—	—	2,996
At 31 December 2011 and 1 January 2012	31,039	46,953	20,071	98,063
Deferred tax charged to profit or loss during the year (note 10)	4,976	—	—	4,976
Acquisition of subsidiaries (note 33(a))	—	3,959	—	3,959
Exchange realignment	698	—	—	698
At 31 December 2012	36,713	50,912	20,071	107,696

Deferred tax assets — Group	**Inventories provision** HK$'000
At 1 January 2011	595
Deferred tax credited to profit or loss during the year (note 10)	788
At 31 December 2011 and 1 January 2012	1,383
Deferred tax credited to profit or loss during the year (note 10)	622
Exchange realignment	17
At 31 December 2012	2,022

29. DEFERRED TAX *(continued)*

The Group had accumulated tax losses arising in Hong Kong of approximately HK$32,279,000 (2011: HK$27,503,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in five PRC subsidiaries of approximately HK$179,474,000 (2011: HK$19,351,000) that were available for offsetting against future taxable profits of the companies in which the losses arose and these tax losses would expire from the year ending 31 December 2013 to the year ending 31 December 2017. In the opinion of the directors, deferred tax assets have not been recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$364,002,000 at 31 December 2012 (2011: HK$478,442,000).

30. SHARE CAPITAL

Shares

	2012 HK$'000	2011 HK$'000
Authorised: 100,000,000,000 (31 December 2011: 100,000,000,000) ordinary shares of HK$0.10 each	10,000,000	10,000,000
Issued and fully paid: 1,527,586,000 (31 December 2011: 1,527,586,000) ordinary shares of HK$0.10 each	152,759	152,759

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's eligible employees, non-executive directors, suppliers of goods or services to the Group, customers of any member of the Group, the shareholders of the Group, advisers or consultants of the Group, and any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

31. SHARE OPTION SCHEME *(continued)*

Share options granted to a substantial shareholder of the Company, or an independent non-executive director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which may commence from the date of acceptance of the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2012		2011	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.67**	**31,400**	1.59	3,330
Granted during the year	**–**	**–**	1.67	31,400
Forfeited during the year	**–**	**–**	1.59	(3,000)
Exercised during the year	**–**	**–**	1.59	(330)
At 31 December	**1.67**	**31,400**	1.67	31,400

The exercise prices and exercise periods of the share options outstanding as at that the end of the reporting period are as follows:

2012

Exercise period	**Grant date**	**The closing price immediately preceding the date of grant** HK$	**Exercise price*** HK$	**Number of options** '000
11-7-2011 to 10-7-2016	11-7-2011	1.67	1.67	31,400

2011

Exercise period	Grant date	The closing price immediately preceding the date of grant HK$	Exercise price* HK$	Number of options '000
11-7-2011 to 10-7-2016	11-7-2011	1.67	1.67	31,400

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

31. SHARE OPTION SCHEME *(continued)*

There were no additional share options granted during the year ended 31 December 2012. The fair value of the share options granted during the year ended 31 December 2011 was HK$18,526,000 (HK$0.59 each), of which the Group recognised a share option expense of HK$18,526,000 during the year ended 31 December 2011.

The fair value of equity-settled share options granted during the year 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.00
Expected volatility (%)	63.00
Risk-free interest rate (%)	1.44
Expected life of options (month)	60
Weighted average share price (HK$)	1.67

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 31,400,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 31,400,000 additional ordinary shares of the Company and additional share capital of HK$3,140,000 and share premium of HK$49,298,000 (before issue expenses).

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 45 to 46 of the financial statements.

(b) Company

	Contributed surplus HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2011	491,695	753,121	1,570	111,119	(8,048)	–	1,349,457
Loss for the year	–	–	–	(38,441)	–	–	(38,441)
Other comprehensive income for the year	–	–	–	–	(22,209)	–	(22,209)
Issue of shares	–	321,111	–	–	–	–	321,111
Equity-settled share option arrangement	–	–	18,526	–	–	–	18,526
Transfer of the share option reserve upon the forfeiture of share options	–	–	(1,414)	1,414	–	–	–
Share options exercised	–	647	(156)	–	–	–	491
At 31 December 2011 and 1 January 2012	491,695	1,074,879	18,526	74,092	(30,257)	–	1,628,935
Profit for the year	–	–	–	46,084	–	–	46,084
At 31 December 2012	491,695	1,074,879	18,526	120,176	(30,257)	–	1,675,019

32. RESERVES *(continued)*

(b) Company *(continued)*

Note: The contributed surplus of the Company represents the difference between the cost of investments in subsidiaries pursuant to the Reorganisation and the nominal value of the Company's shares issued therefore.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

33. BUSINESS COMBINATION

(a) On 30 March 2012, Global Sweeteners Investment Limited, a wholly-owned subsidiary of the Company entered into a sales and purchase agreement with Cargill, Incorporated ("Cargill Inc.") to acquire (i) the remaining 50% equity interest in Global Bio-chem-Cargill (Holdings) Limited (now known as Global Sweeteners HFCS (Holdings) Limited) ("SPV-HK"), who held 80% equity interest of GBT-Cargill High Fructose (Shanghai) Co., Ltd. (now known as Shanghai Da Yi Food Co., Ltd.) ("SPV-PRC"); (ii) the remaining 10% equity interest in SPV-PRC held by Cargill Investments (China) Ltd. ("Cargill China"); and (iii) the rights, interest and benefits of a promissory note in favor of Cargill, Inc. in the principal amount of HK$40 million due on 25 September 2101. The consideration for (i) and (iii) is HK$26,661,858 while consideration for (ii) is HK$6,314,714, which were all satisfied by cash. The consideration for (i) and (iii) was paid on 30 March 2012 while the consideration for (ii) was paid on 18 October 2012. SPV-HK and its subsidiary SPV-PRC are engaged in the manufacture and sale of high fructose corn syrup.

After the completion of (i) and (iii) on 30 March 2012, SPV-HK and SPV-PRC, the former jointly-controlled entities of the Company, became the subsidiaries of the Company.

This is regarded as a business combination achieved in stages. The Group accordingly remeasured its previously held equity interest in SPV-HK and SPV-PRC at the acquisition date at fair value and recognised the resulting loss of HK$1,710,000 in the consolidated statement of comprehensive income. The exchange differences of HK$12,582,000 and revaluation surplus of HK$419,000 recognised in the prior years' other comprehensive income have also been reclassified to the Group's profit or loss and the Group's retained profits, respectively, as would be required if the Group had disposed directly of the previously held equity interest.

33. BUSINESS COMBINATION *(continued)*

(a) *(continued)*

The fair values of the identifiable assets and liabilities of SPV-HK and SPV-PRC as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	15	28,520
Prepaid land lease payments	16	19,829
Inventories		862
Prepayments and other receivables		1,794
Due from fellow subsidiaries		319
Cash and bank balances		90,903
Dividend payable		(20,000)
Trade payable		(117)
Due to fellow subsidiaries		(957)
Other payables		(688)
Tax payable		(202)
Deferred tax liability	29	(3,959)
Due to shareholders		(1,456)
Total identifiable net assets at fair value		114,848
Gain on bargain purchase recognised in the consolidated statement of comprehensive income	5	(13,479)
Fair value of non-controlling interest		(7,746)
Assignment of promissory note		1,456
		95,079
Satisfied by:		
Cash		26,662
Fair value of investments in jointly-controlled entities held before the acquisition		28,417
Loan to a jointly-controlled entity*		40,000
		95,079

* Loan to a jointly-controlled entity represented a quasi-equity loan lent by the Group since the incorporation of the jointly-controlled entity.

The fair values of prepayments and other receivables as at the date of acquisition amounted to HK$1,794,000. The gross contractual amounts of prepayment and other receivables were HK$1,794,000.

33. BUSINESS COMBINATION *(continued)*

(a) *(continued)*

The Group incurred transaction costs of HK$1,282,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

An analysis of the cash flows in respect of the acquisition of the remaining interests in the jointly-controlled entities is as follows:

	HK$'000
Cash consideration	(26,662)
Cash and bank balances acquired	90,903
Net inflow of cash and cash equivalents included in cash flows from investing activities	64,241
Transaction costs of the acquisition included in cash flows from operating activities	(1,282)
	62,959

Since the acquisition, SPV-HK and its subsidiary SPV-PRC contributed HK$947,000 to the Group's turnover and loss of HK$905,000 to the consolidated loss for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$4,520,146,000 and HK$254,899,000 respectively.

(b) On 2 September 2011, the Group entered into an agreement with Global Corn Investment Limited, being an indirect wholly-owned subsidiary of the ultimate holding company, to acquire a 100% interest in Global Starch (BVI) Investments Limited ("GSIL BVI"). GSIL BVI is an investment holding company, which together with its 100%-owned subsidiaries, Global Starch (Changchun) Investments Limited ("GSIL Changchun") and Changchun Jincheng Corn Development Co., Ltd. ("Changchun Jincheng") (collectively referred to as the "GSIL Group") are engaged in the manufacture and sale of corn starch and by-products. Further details of the transaction are set out in the circular of the Company dated 26 September 2011. The acquisition was made as part of the Group's strategy to secure the supply of corn starch for expansion of corn sweeteners production. The purchase consideration for the acquisition was satisfied by the Company through the allotment and issue of 377,778,000 new shares of the Company at an issue price of HK$1.35 per share and the shareholder loans at a consideration of HK$1.

The acquisition was completed on 17 November 2011. The Group recognised a gain on bargain purchase of approximately HK$25,377,000 in relation to this business combination. The directors of the Company are of the opinion that the gain on bargain purchase resulted from the fluctuation of the market price of the Company's ordinary shares between the agreement date and the acquisition date.

33. BUSINESS COMBINATION *(continued)*

(b) *(continued)*

The fair values of the identifiable assets and liabilities of the GSIL Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	294,579
Prepaid land lease payments	16	97,329
Inventories		591,866
Trade receivables		156,227
Prepayments and other receivables		16,651
Tax recoverable		4,878
Cash and bank balances		7,814
Due from fellow subsidiaries		526,591
Due to fellow subsidiaries		(509,289)
Due to the ultimate holding company		(17,727)
Bank borrowings		(668,902)
Trade payables		(13,666)
Accruals and other payables		(80,545)
Deferred income		(1,128)
Deferred tax liabilities	29	(20,412)
Total identifiable net assets at fair value		384,266
Gain on bargain purchase recognised in the consolidated statement of comprehensive income	5	(25,377)
Satisfied by:		
Fair value of shares issued		358,889

The fair value of the 377,778,000 new shares issued as the consideration was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The fair values of the trade receivables and prepayments and other receivables as at the date of acquisition amounted to HK$156,227,000 and HK$16,651,000, respectively. The gross contractual amounts of trade receivables and prepayments and other receivables were HK$156,227,000 and HK$16,651,000, respectively.

The Group incurred transaction costs of HK$3,159,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2011.

33. BUSINESS COMBINATION *(continued)*

(b) *(continued)*

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash and bank balances acquired	7,814
Net outflow of cash and cash equivalents included in cash flows from investing activities	7,814
Transaction costs of the acquisition included in cash flows from operating activities	(3,159)
	4,655

Since the acquisition, the GSIL Group contributed HK$96,011,000 to the Group's turnover and HK$2,377,000 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year ended 31 December 2011, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2011 would have been HK$5,827,913,000 and HK$176,364,000, respectively.

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

As detailed in note 33(b), the purchase consideration for the acquisition of the GSIL Group in the year ended 31 December 2011 was satisfied by the allotment and issue of 377,778,000 new shares of the Company at an issue price of HK$1.35 per share.

35. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

The Company provided guarantees for banking facilities granted to certain subsidiaries. These subsidiaries utilised the banking facilities to the extent of approximately HK$1,015,618,000 as at 31 December 2012 (2011: HK$503,293,000).

36. COMMITMENTS

At 31 December 2012, the Group had capital commitments as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Contracted, but not provided for:		
Leasehold buildings	**19,886**	19,287
Plant and machinery	**19,201**	25,241
	39,087	44,528

The Company did not have any other significant commitments as at 31 December 2012.

37. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the year, the Group had the following transactions with related parties:

	Notes	2012 HK$'000	2011 HK$'000
Purchases from fellow subsidiaries			
— Corn starch	(a)	**197,705**	865,763
Sales to fellow subsidiaries			
— Corn sweeteners	(b)	**663,183**	730,120
— Corn starch and corn steep liquor	(b)	**21,470**	—
Sales to a jointly-controlled entity			
— Corn starch	(b)	**—**	28,507
Reimbursement of cost of utilities provided by a fellow subsidiary	(c)	**197,932**	112,240
Reimbursement of cost of utilities provided to a jointly-controlled entity	(c)	**—**	5,684
Agency fee charged by a fellow subsidiary	(d)	**9,659**	6,041

Notes:

(a) The Group sourced corn starch from fellow subsidiaries. These purchases were made at prices based on the mutual agreements between the parties.

(b) The Group sold corn sweeteners, corn starch and corn steep liquor to fellow subsidiaries and a jointly-controlled entity. These sales were made at prices mutually agreed between the parties.

(c) The Group used the utilities facilities provided by a fellow subsidiary and a jointly-controlled entity used the utilities facilities provided by the Group. The utility costs were charged based on actual costs incurred.

(d) The agency fee was paid to a fellow subsidiary who acted as a sales agent on behalf of the Group. The fee was charged at prices based on a mutual agreement between the parties.

(ii) Other transactions with related parties:

(a) During the year ended 31 December 2011, the Group acquired GSIL BVI and its subsidiaries from a subsidiary of the Company's ultimate holding company at a consideration satisfied by the Company through the allotment and issue of 377,778,000 new shares of the Company at an issue price of HK$1.35 per share and the shareholder loans at a consideration of HK$1. Further details of the transaction are included in note 33(b) to the financial statements.

(b) The Company's ultimate holding company has guaranteed certain bank loans made to a subsidiary of the Group of up to HK$592,593,000 (2011: HK$668,902,000) as at the end of the reporting period, as further detailed in note 28 to the financial statements.

37. RELATED PARTY TRANSACTIONS *(continued)*

(iii) Balances with related parties:

The balances with the ultimate holding company, the immediate holding company and fellow subsidiaries and jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with these group companies approximated to their fair values at the end of each reporting period. At 31 December 2012, approximately HK$406,804,000 (31 December 2011: HK$428,358,000) of the balances due from fellow subsidiaries and approximately HK$411,054,000 (31 December 2011: HK$452,043,000) of the balances due to fellow subsidiaries arose from trading activities.

The following table sets out the aged analysis of the trade nature portions of amounts due from fellow subsidiaries as at 31 December 2012 and 31 December 2011.

	Group	
	2012	2011
	HK$'000	HK$'000
Trade nature		
Amounts due from fellow subsidiaries:		
Within 3 months	**195,729**	166,766
Over 3 months but less than 6 months	**94,091**	96,786
Over 6 months but less than 1 year	**53,491**	78,302
Over 1 year	**63,493**	86,504
Total	**406,804**	428,358

The following table sets out the aged analysis of the trade nature portions of amounts due to fellow subsidiaries as at 31 December 2012 and 31 December 2011.

	Group	
	2012	2011
	HK$'000	HK$'000
Trade nature		
Amounts due to fellow subsidiaries:		
Within 3 months	**10,245**	11,677
Over 3 months but less than 6 months	**133,804**	133,496
Over 6 months but less than 1 year	**164,755**	194,645
Over 1 year	**102,250**	112,225
Total	**411,054**	452,043

(iv) Compensation of key management personnel of the Group:

	2012	2011
	HK$'000	HK$'000
Short term employee benefits	**5,580**	11,654
Post-employment benefits	**28**	24
Equity-settled share option expense	**—**	10,620
Total compensation paid to key management personnel	**5,608**	22,298

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group at the end of the reporting period are as follows:

Financial assets

	Group	
	2012 Loans and receivables HK$'000	2011 Loans and receivables HK$'000
Trade and bills receivables	597,585	782,681
Financial assets included in prepayments, deposits and other receivables	285,850	37,013
Due from jointly-controlled entities	—	731
Due from the immediate holding company	21,408	21,086
Due from fellow subsidiaries	645,895	645,696
Cash and cash equivalents	557,551	496,816
Total	2,108,289	1,984,023

Financial liabilities

	Group	
	2012 Financial liabilities at amortised cost HK$'000	2011 Financial liabilities at amortised cost HK$'000
Trade payables	78,018	60,752
Financial liabilities included in other payables and accruals	88,024	108,184
Interest-bearing bank borrowings	1,801,667	1,831,903
Due to fellow subsidiaries	688,736	522,725
Due to the ultimate holding company	26,739	24,896
Total	2,683,184	2,548,460

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments of the Company at the end of the reporting period are as follows:

Financial assets

	Company	
	2012 Loans and receivables HK$'000	2011 Loans and receivables HK$'000
Due from the ultimate holding company	81,800	81,800
Due from the immediate holding company	323	—
Due from subsidiaries	1,363,881	1,336,132
Cash and cash equivalents	85,510	93,978
Total	1,531,514	1,511,910

Financial liabilities

	Company	
	2012 Financial liabilities at amortised cost HK$'000	2011 Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	6,906	15,355
Due to subsidiaries	442,877	418,901
Due to fellow subsidiaries	32,468	—
Interest-bearing bank borrowings	70,000	80,000
Financial guarantee contracts	104,162	7,976
Total	656,413	522,232

39. FAIR VALUE

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Financial assets

Group

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade and bills receivables	597,585	782,681	597,585	782,681
Financial assets included in prepayments, deposits and other receivables	285,850	37,013	285,850	37,013
Due from jointly-controlled entities	—	731	—	731
Due from the immediate holding company	21,408	21,086	21,408	21,086
Due from fellow subsidiaries	645,895	645,696	645,895	645,696
Cash and cash equivalents	557,551	496,816	557,551	496,816
	2,108,289	1,984,023	2,108,289	1,984,023

39. FAIR VALUE *(continued)*

Financial assets *(continued)*

Company

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Due from the ultimate holding company	81,800	81,800	81,800	81,800
Due from the immediate holding company	323	—	323	—
Due from subsidiaries	1,363,881	1,336,132	1,363,881	1,336,132
Cash and cash equivalents	85,510	93,978	85,510	93,978
	1,531,514	1,511,910	1,531,514	1,511,910

Financial liabilities

Group

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade payables	78,018	60,752	78,018	60,752
Financial liabilities included in other payables and accruals	88,024	108,184	88,024	108,184
Interest-bearing bank borrowings	1,801,667	1,831,903	1,801,667	1,831,903
Due to fellow subsidiaries	688,736	522,725	688,736	522,725
Due to the ultimate holding company	26,739	24,896	26,739	24,896
	2,683,184	2,548,460	2,683,184	2,548,460

Company

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Financial liabilities included in other payables and accruals	6,906	15,355	6,906	15,355
Due to subsidiaries	442,877	418,901	442,877	418,901
Due to fellow subsidiaries	32,468	—	32,468	—
Interest-bearing bank borrowings	70,000	80,000	70,000	80,000
Financial guarantee contracts	104,162	7,976	104,162	7,976
	656,413	522,232	656,413	522,232

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the above financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include cash and cash equivalents, trade and bills receivables, prepayments, deposits and other receivables, amounts due from fellow subsidiaries, amounts due from jointly-controlled entities and an amount due from the immediate holding company. Financial liabilities of the Group include trade payables, other payables and accruals, interest-bearing bank borrowings, an amount due to the ultimate holding company and amounts due to fellow subsidiaries.

Financial assets of the Company include cash and cash equivalents, amounts due from subsidiaries, an amount due from the immediate holding company and an amount due from the ultimate holding company. Financial liabilities of the Company include other payables and accruals, amounts due to subsidiaries, amount due to fellow subsidiaries, interest-bearing bank borrowings and financial guarantee contracts.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing bank borrowings.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt when considered appropriate.

The Group's revenue and operating cash flows are substantially independent of changes in market interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the equity as well as the Company's equity.

	Group			Company	
	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate	Increase/ (decrease) in equity
	%	HK$'000	HK$'000	%	HK$'000
2012					
Hong Kong dollar	1	(11,165)	(8,495)	1	(585)
Hong Kong dollar	(1)	11,165	8,495	(1)	585
2011					
Hong Kong dollar	1	(6,374)	(4,905)	1	(668)
Hong Kong dollar	(1)	6,374	4,905	(1)	668

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and 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 and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 23 and 24 to the financial statements.

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 liabilities and financial assets and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or available funding through an adequate amount of committed annual borrowing facilities from banks to meet its commitments over the following years in accordance with its strategic plan.

The maturity profile of the Group and the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Year ended 31 December 2012 — The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	—	78,018	—	—	—	78,018
Other payables	88,024	—	—	—	—	88,024
Interest-bearing bank borrowings	306,914	172,715	1,076,410	344,589	—	1,900,628
Due to fellow subsidiaries	688,736	—	—	—	—	688,736
Due to the ultimate holding company	26,739	—	—	—	—	26,739
	1,110,413	250,733	1,076,410	344,589	—	2,782,145

Year ended 31 December 2011 — The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	—	60,752	—	—	—	60,752
Other payables	108,184	—	—	—	—	108,184
Interest-bearing bank borrowings	102,496	167,513	1,427,872	206,137	—	1,904,018
Due to fellow subsidiaries	522,725	—	—	—	—	522,725
Due to the ultimate holding company	24,896	—	—	—	—	24,896
	758,301	228,265	1,427,872	206,137	—	2,620,575

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Year ended 31 December 2012 — The Company

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payables	6,906	—	—	—	—	6,906
Due to subsidiaries	442,877	—	—	—	—	442,877
Due to fellow subsidiaries	32,468	—	—	—	—	32,468
Financial guarantee contracts	—	135,803	556,790	323,025	—	1,015,618
Interest-bearing bank borrowings	60,000	10,616	1,741	564	—	72,921
	542,251	146,419	558,531	323,589	—	1,570,790

Year ended 31 December 2011 — The Company

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payables	15,355	—	—	—	—	15,355
Due to subsidiaries	418,901	—	—	—	—	418,901
Financial guarantee contracts	—	36,585	365,854	100,854	—	503,293
Interest-bearing bank borrowings	80,000	473	1,174	3	—	81,650
	514,256	37,058	367,028	100,857	—	1,019,199

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio around 50%. Net debt represents interest-bearing bank borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Interest-bearing bank borrowings	**1,801,667**	1,831,903	**70,000**	80,000
Less: Cash and cash equivalents	**(557,551)**	(496,816)	**(85,510)**	(93,978)
Net debt	**1,244,116**	1,335,087	**(15,510)**	(13,978)
Equity attributable to owners of the parent	**2,329,732**	2,562,843	**1,827,778**	1,781,694
Gearing ratio	**53%**	52%	**-1%**	-1%

41. COMPARATIVE AMOUNTS

The comparative consolidated statement of comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and re-presented as appropriate, is set out below. The amounts for each year in the five year financial summary have been re-presented as if the operation dicontinued during the current year had been discontinued at the beginning of the comparative periods.

	Year ended 31 December				
	2012 HK$'000 Consolidated	2011 HK$'000 Consolidated	2010 HK$'000 Consolidated	2009 HK$'000 Consolidated	2008 HK$'000 Consolidated
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**4,520,146**	4,274,680	3,190,443	2,532,253	1,693,975
Cost of sales	**(4,169,239)**	(3,730,026)	(2,820,212)	(2,226,513)	(1,411,543)
Gross profit	**350,907**	544,654	370,231	305,740	282,432
Other income and gains	**49,581**	62,469	28,500	18,349	54,599
Selling and distribution expenses	**(255,812)**	(231,210)	(157,601)	(108,877)	(70,427)
Administrative expenses	**(108,830)**	(105,943)	(68,844)	(75,558)	(58,911)
Other expenses	**(15,773)**	(4,588)	(432)	(3,259)	1,779
Finance costs	**(127,749)**	(73,682)	(51,613)	(34,228)	(39,237)
Share of profits/(losses) of jointly-controlled entities	**(1,324)**	(2,598)	1,196	3,312	5,677
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(109,000)**	189,102	121,437	105,479	175,912
Income tax expense	**(24,756)**	(43,926)	(33,768)	(20,643)	(21,542)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(133,756)**	145,176	87,669	84,836	154,370
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**(119,819)**	(1,846)	3,393	1,366	–
PROFIT/(LOSS) FOR THE YEAR	**(253,575)**	143,330	91,062	86,202	154,370
Attributable to:					
Owners of the parent	**(247,494)**	144,072	89,402	85,681	154,370
Non-controlling interests	**(6,081)**	(742)	1,660	521	–
	(253,575)	143,330	91,062	86,202	154,370

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012 HK$'000 Consolidated	2011 HK$'000 Consolidated	2010 HK$'000 Consolidated	2009 HK$'000 Consolidated	2008 HK$'000 Consolidated
TOTAL ASSETS	**5,233,342**	5,338,321	3,274,321	2,853,882	2,677,196
TOTAL LIABILITIES	**(2,909,388)**	(2,775,388)	(1,347,409)	(1,218,087)	(1,151,672)
NON-CONTROLLING INTERESTS	**5,778**	(90)	(7,376)	(5,716)	–
	2,329,732	2,562,843	1,919,536	1,630,079	1,525,524

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kong Zhanpeng *(Chairman)*
Zhang Fazheng *(Chief Executive Officer)*
Xu Zhouwen *(passed away on 20 August 2012)*
Lee Chi Yung

Independent non-executive Directors

Chan Yuk Tong
Gao Yunchun
Ho Lic Ki

COMPANY SECRETARY

Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2403
Admiralty Centre Tower II
No. 18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong)
Bank of China Tower
1 Garden Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
PO Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.global-sweeteners.com

STOCK CODE

03889 HK
913889 TW