



**GLOBAL  
Sweeteners**

**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

**INTERIM REPORT 2011**



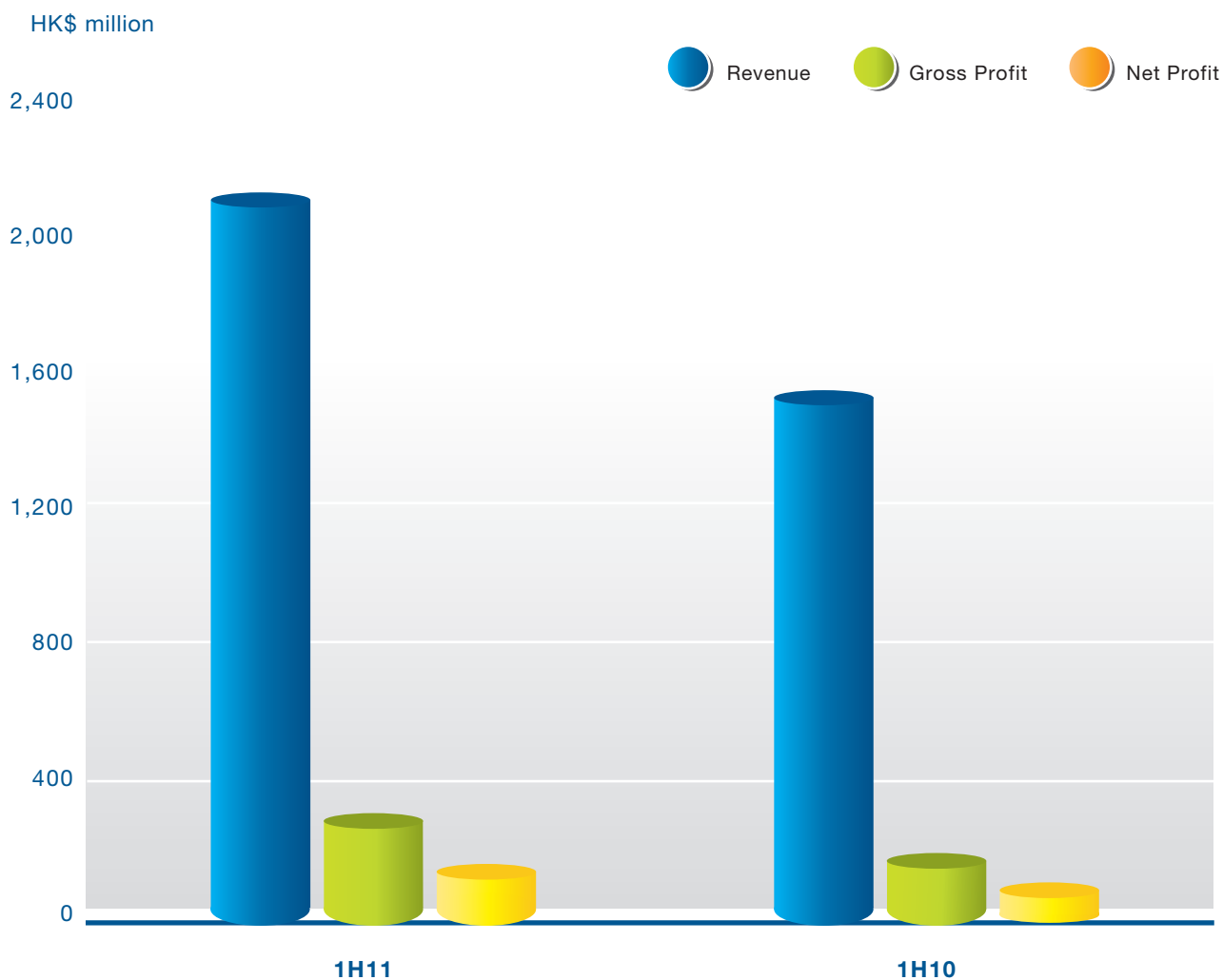
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# FINANCIAL HIGHLIGHTS

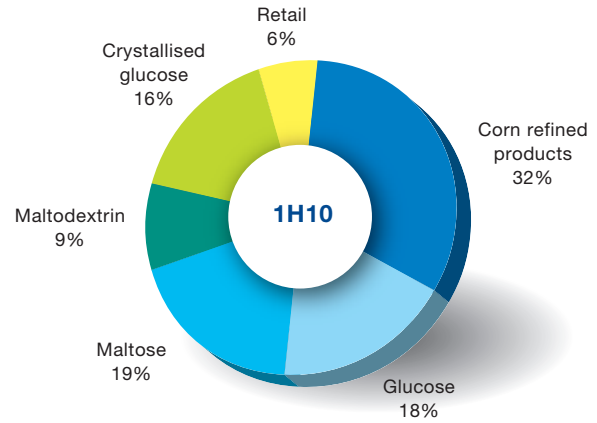
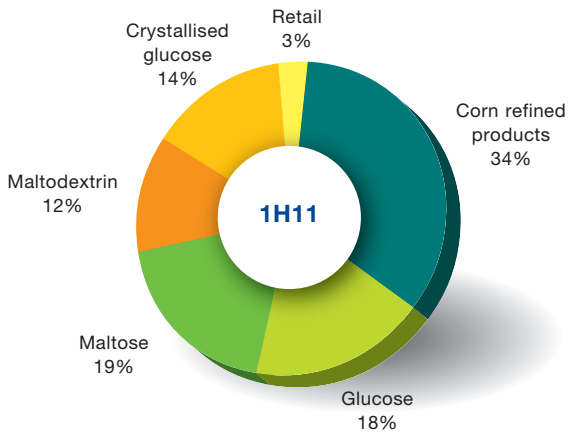
## Unaudited six months ended 30 June

| (HK\$ million)                                   | 2011         | 2010  | Change % |
|--|--------------|-------|----------|
| Revenue  | <b>2,028</b> | 1,526 | 32.9     |
| Gross profit                                     | <b>288</b>   | 184   | 56.8     |
| Profit before tax                                | <b>130</b>   | 80    | 62.4     |
| Net profit attributable to owners of the Company | <b>102</b>   | 63    | 61.8     |
| <hr/>  |              |       |          |
| Basis earnings per share (HK cents)              | <b>8.90</b>  | 5.68  | 56.7     |
| Interim dividend per share                       | <b>Nil</b>   | Nil   | N/A      |

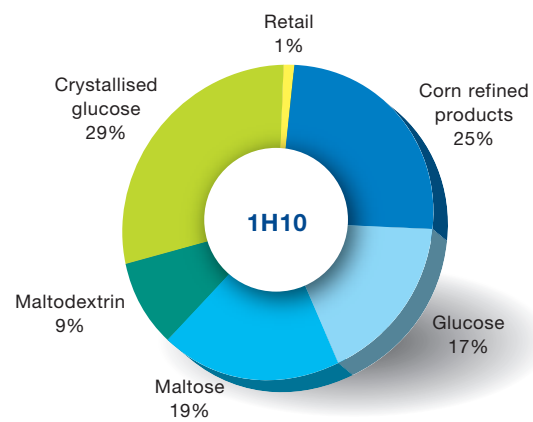
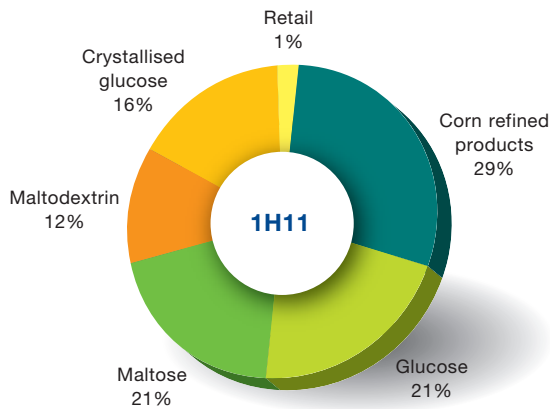


## REVENUE AND SALES ANALYSIS

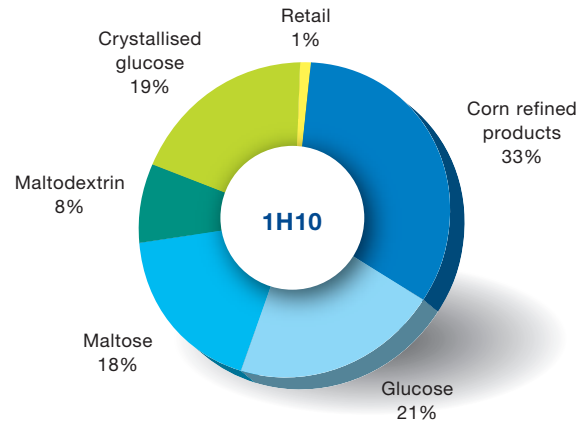
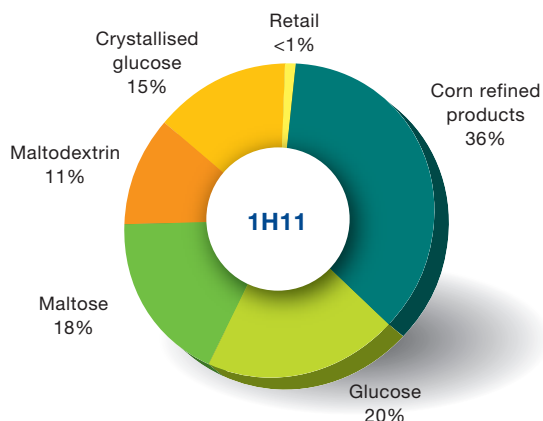
### REVENUE



### GROSS PROFIT



### SALES VOLUME



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Kong Zhanpeng (*Chairman*)  
Zhang Fazheng  
Xu Zhouwen  
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  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## AUDITORS

Ernst & Young  
Certified Public Accountants  
18/F, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

## LEGAL ADVISERS

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

## PRINCIPAL BANKER

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

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited  
P.O. 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](http://www.global-sweeteners.com)

## STOCK CODE:

03889 HK  
913889 TW



To the Shareholders:

I am pleased to present the results of Global Sweeteners Holdings Limited for the six months ended 30 June 2011. Benefiting from the robust consumer market in the PRC, the product prices generally recorded year-on-year increases during the period. During the first half of 2011, the revenue of the Group and profit attributable to the owners of the Company amounted to HK\$2,028 million and HK\$102 million respectively, representing an increase of approximately 32.9% and 61.8% respectively as compared to the corresponding period last year.

## BUSINESS REVIEW

During the period under review, the prosperous consumer market in China has given rise to domestic inflation, which drove up the raw material prices and energy costs of the Group. The price of corn, the principal raw material of the Group, maintained a strong momentum under the massive demand from different industries. As a result, the Group's corn procurement cost for the first half of the year increased by approximately 14.7% year-on-year. However, driven by the sustainable strong demand, the price of corn starch surged up during the period, enabling the Group to pass on the increase in corn cost to its customers. As a result, the gross profit margin for the upstream business improved during the period.

The thriving economic environment in the PRC has led to the increase in certain commodity prices. Cane sugar price has surged by approximately 40.0% year-on-year and remained at a high level. Consumption of daily necessities, especially food and beverages, flourished under the stimulation of the massive domestic demand. In addition, sugar price in the PRC is at record high. As the substitute of cane sugar, the market demand for sweetener products remained strong, driving up the selling prices of the Group's sweetener products. The Group has fully capitalised on the advantages in its production scale and distribution network. During the six months ended 30 June 2011, the Group recorded a sales volume of 401,000 metric tonnes of sweetener products, with a sales revenue of HK\$1,276 million. During the period under review, the gross profit margin of downstream sweetener products was 15.8%, representing an increase of approximately 1.2 percentage points year-on-year.

The cattle feedlot and beef business has achieved steady growth since the commencement of the business under the Group. During the period under review, the Group continued to focus on exploring the retail market through adjusting its product mix and sales channels, and has successfully increased the beef supply to supermarkets and achieved significant improvement in the gross profit margin to 7.9% during the period under review.

The overall sales volume of the Group for the first half of the year remained at the same level as compared to the corresponding period last year. However, with the product selling prices increased by 27.9%, the Group's revenue recorded a prominent year-on-year increase and the overall gross profit margin improved as compared to the corresponding period last year. Benefiting from the effective cost control and improvement in operating efficiency, the Group's gross profit increased by 56.8% to approximately HK\$288 million.

## OUTLOOK

As the daily essential additives for food and beverages, sweeteners prices are expected to maintain its growth momentum with the support of strong consumption sentiment in the PRC. On the other hand, with the expectation that global commodity prices will continue to grow with sustainable demand, it is anticipated that corn price may increase further during the second half of the year. The Group will fully leverage on the advantage of its strategic locations in the golden corn belt and conduct bulk purchases at the harvest season of each year. Currently, the Group's corn inventory is sufficient for production needs until the third quarter of the year. In other words, the cost of corn is basically locked in. Therefore, the Group's raw material cost will not be subject to significant impact in case of corn price increases during the second half of the year.

## MESSAGE TO SHAREHOLDERS

In the coming corn harvest season in year 2011/12, the Group will adhere to the past practice of stocking up raw materials during the corn harvest season and when corn price is low, in order to stabilise raw materials supply and minimise the cost of corn. In addition, the Group will also adopt a more proactive approach to extend the procurement of corn into the rural areas. The Group plans to establish silos at the corn originations to purchase corn directly from farmers to further lower the procurement cost. This will in turn consolidate the foundation for the Group's long-term development in the future.

Most of the Group's existing downstream production lines are operating in full capacity. To meet the huge market demand for sweeteners, the Group will on the one hand increase its output through enhancing production techniques and streamlining production flow, while on the other hand expand its production capacity and enhance production scale.

The Group is currently constructing a 55 high fructose corn syrup (HFCS 55) production line of 100,000 metric tonnes in Shanghai, which is expected to complete by the end of October this year and commence trial production in November. The new facility will supply HFCS product for the beverage manufacturers in the eastern China region. In addition, another HFCS 55 production line with an annual production capacity of 100,000 metric tonnes is going to be constructed in Jinzhou. Upon its completion in 2012, the Jinzhou facility can fully capitalise on its geographical advantage of locating adjacent to the deep sea port, and supply to beverage manufacturers in Beijing, Tianjin and nearby areas, as well as export to the neighbouring Asian countries. In addition, the new crystallised glucose and maltodextrin production facilities under the Group's planning are scheduled to commence production successively in 2012 and 2013.

To cope with the downstream expansion plans, the Group is currently expanding its upstream corn processing capacity of the Jinzhou corn refinery by 50% to 900,000 metric tonnes per annum. The newly added capacity is expected to commence production by the first quarter of next year. Upon completion of the above mentioned capacity expansion projects, the Group's integrated production capacity for its upstream and downstream productions will reach 2.5 million metric tonnes per annum by next year.

For the retail business, the Group will continue to expand the sale of beef products to supermarkets in the second half of the year. It is anticipated that such move will be beneficial in enhancing the profitability of the business, given the more lucrative gross profit margin for sale to retail markets such as supermarkets. On the other hand, the construction of the new cattle barn in Dalian has been completed, with the farm capacity increased to 1,000 heads. As to the product structure, the Group will continue to diversify the beef product portfolio in order to expand the income source for this business.

The capital expenditure of the Group is expected to reach approximately HK\$200 million for the year. With sufficient cash on hand and a healthy gearing ratio, the Group will have greater flexibility in responding to the funding requirements of its diversified development in the future.

Uncertainties in the global economy, fluctuations in the international financial market and the inflation pressure in the PRC will continue to pose challenges for our operation in the second half of the year, notwithstanding the sustainable and steady growth in China's economy. Going forward in the second half of the year, the Group will continue to execute prudent development strategies, while closely monitoring the market dynamics as the newly constructed facilities commence production. The Group will also timely adjust production plans in response to market changes to ensure the full use of the newly added production capacities while maintaining the profitability and competitive advantages of different products.

**Kong Zhanpeng**  
*Chairman*

29 August 2011

# 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, corn sweeteners, categorised into upstream and downstream products. Corn starch is then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup and maltose syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in retail business through launching of its own branded sweeteners and beef products direct to supermarket chains and end users directly.

## 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 variety of product specifications.

During the six months ended 30 June 2011 (the “Period”), the average purchasing price of corn kernels increased by approximately 14.7% while the average selling price of corn starch increased by approximately 26.6% as compared to the corresponding period last year. While the price of cane sugar, a substitute of the Group’s corn sweetener products, surged by approximately 40.0% during the Period as compared to the corresponding period last year.

## FINANCIAL PERFORMANCE

The Group’s consolidated revenue and gross profit for the Period increased by approximately 32.9% and 56.8% to approximately HK\$2,028 million and HK\$288 million, respectively (2010: HK\$1,526 million and HK\$184 million) when compared to the corresponding period in 2010. Such increase was mainly attributable to the increase in average selling prices and sales volume of the Group’s products. As a result, the Group’s net profit for the Period increased by approximately HK\$39 million to approximately HK\$102 million (2010: HK\$63 million) due to the Group’s effort in expanding sales and cost control.

### Upstream products

(Sales amount: HK\$685 million (2010: HK\$491 million))  
(Gross profit: HK\$82 million (2010: HK\$45 million))

During the Period, the sales volume of corn starch and other corn refined products were approximately 136,000 metric tonnes (“MT”) (2010: 123,000 MT) and 89,000 MT (2010: 76,000 MT), respectively. Internal consumption of corn starch was approximately 58,000 MT (2010: 59,000 MT), which was used as raw material for the production in Jinzhou and Shanghai production sites.

The operating environment of upstream products was thriving during the Period. The selling prices of corn starch and other corn refined products increased by approximately 26.6% and 18.1% to HK\$3,340 per MT and HK\$2,579 per MT (2010: HK\$2,638 and HK\$2,184) respectively as compared to the corresponding period last year. With the increase in corn purchasing price by 14.7% when compared to the corresponding period in 2010, the corn starch segment recorded a gross profit margin of approximately 21.9% (2010: 17.6%) while other corn refined products segment recorded a gross loss margin of approximately 7.8% (2010: 7.3%) during the Period.

### Corn syrup

(Sales amount: HK\$759 million (2010: HK\$556 million))  
(Gross profit: HK\$120 million (2010: HK\$66 million))

During the Period, the selling prices of glucose syrup and maltose syrup increased by approximately 37.7% and 32.8% respectively as compared to the corresponding period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, internal consumption of glucose syrup for downstream production decreased by 9.8% to approximately 165,000 MT (2010: 183,000 MT) while the sales volume of glucose syrup and maltose syrup remained at approximately 125,000 MT (2010: 125,000 MT) and 113,000 MT (2010: 112,000 MT), respectively. However, with the significant increase in selling prices, the revenue for the sales of glucose syrup and maltose syrup grew by approximately 38.6% and 34.3% to approximately HK\$373 million (2010: HK\$269 million) and HK\$386 million (2010: HK\$287 million), respectively.

Despite the significant increase in raw material (corn starch) cost during the Period, glucose syrup and maltose syrup segments recorded gross profit margins of approximately 16.3% (2010: 11.3%) and 15.2% (2010: 12.3%) respectively as a result of the increase in their selling prices and effective cost control of the Company.

During the Period, the Group sold approximately 79,000 MT (2010: 86,000 MT) of glucose syrup to Global Biochem Technology Group Company Limited (“GBT”) and its subsidiaries excluding the Group (the “GBT Group”).

### Corn syrup solid

(Sales amount: HK\$517 million (2010: HK\$377 million))  
(Gross profit: HK\$81 million (2010: HK\$70 million))

The revenue of corn syrup solid increased by approximately 37.1% during the Period as a result of the increase in selling prices. Selling prices of crystallised glucose and maltodextrin increased by approximately 40.9% and 25.1% respectively, while sales volume of crystallised glucose decreased by approximately 19.0% to 96,000 MT (2010: 119,000 MT) and maltodextrin increased by approximately 43.0% to approximately 67,000 MT (2010: 46,000 MT). Consequently, the revenue of crystallised glucose and maltodextrin increased by approximately 14.1% and 78.9% respectively to approximately HK\$277 million (2010: HK\$243 million) and HK\$240 million (2010: HK\$134 million), respectively.

As a result of the drop in sales volume and the rise in raw material cost during the Period, crystallised glucose segment recorded a gross profit of approximately HK\$46 million (2010: HK\$54 million) with a gross profit margin of 16.6% (2010: 22.1%).

On the other hand, maltodextrin recorded a gross profit of approximately HK\$35 million (2010: HK\$17 million) with a gross profit margin of 14.8% (2010: 12.6%) during the Period. The increase in gross profit margin was mainly due to the increase in selling price and effective cost control.

During the Period, the Group sold approximately 65,000 MT (2010: 106,000 MT) of crystallised glucose to the GBT Group.

### Retail business

(Sales amount: HK\$67 million (2010: HK\$102 million))  
(Gross profit: HK\$5 million (2010: HK\$3 million))

For the beef business, the Company continued to focus on improving the gross profit margin by adjusting the product mix. During the Period, the gross profit of the beef business increased to approximately HK\$5 million (2010: HK\$3 million) with the revenue decreased by approximately 34.8% to HK\$67 million (2010: HK\$102 million). As a result, the gross profit margin increased to 7.9% (2010: 2.5%).

As at 30 June 2011, the Group had approximately 355 heads of cattle (31 December 2010: 410) in ranch including 355 heads of Angus beef cattle (31 December 2010: 330) and zero head of local cattle (31 December 2010: 80).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2011, the Group has provided approximately HK\$90 million (31 December 2010: HK\$90 million) as general working capital for the cattle feedlot. On the other hand, the Group has invested approximately HK\$3 million for the improvement of current facilities and expansion of the barn, the construction of which was completed in April 2011. It is expected that capital expenditure amounted to approximately HK\$5 million will be incurred for the expansion of barn this year.

## **Export sales**

During the Period, the Group exported approximately 21,000 MT (2010: 16,000 MT) of upstream corn refined products and 19,000 MT (2010: 11,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$53 million (2010: HK\$33 million) and HK\$74 million (2010: HK\$36 million) respectively, representing approximately 6.3% (2010: 4.8%) of total revenue of the Group.

## **Other income, operating expenses, finance costs and income tax**

### ***Other income***

During the Period, other income of the Group remained at approximately HK\$14 million (2010: HK\$14 million).

### ***Selling and distribution costs***

During the Period, the selling and distribution costs representing 5.1% (2010: 4.1%) of the Group's revenue increased by 63.2% to approximately HK\$102 million (2010: HK\$63 million) which is mainly attributable to the rise in transportation costs as a result of the highflying petroleum price and increase in packaging cost incurred by increased export sales volume.

### ***Administrative expenses***

The administrative expenses increased by 20.5% to approximately HK\$39 million (2010: HK\$32 million) but decreased to 1.9% (2010: 2.1%) to the Group's revenue due to stringent control of operating expenses.

### ***Other operating expenses***

During the Period, a provision amounted to approximately HK\$3 million for the doubtful debts with aging over one year was included in the Group's other operating expenses.

### ***Finance costs***

Finance costs of the Group increased by 16.7% to approximately HK\$29 million (2010: HK\$25 million) for the Period due to the increase in interest rate of PRC bank borrowings.

### ***Income tax***

During the Period, the overall effective tax rate of the Group during the Period remained at approximately 20.4% (2010: 20.2%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Performance of joint ventures

As at 30 June 2011, the Group has one joint venture project with Cargill Inc. which is principally engaged in the manufacture and sale of high fructose corn syrup (“HFCS”). During the Period, the revenue of HFCS increased by 2.7% to approximately HK\$75 million (2010: HK\$73 million) mainly due to the increase in selling price by approximately 26.3% to HK\$3,488 per MT (2010: HK\$2,762 per MT). During the Period, the sales volume decreased by 19.2% to approximately 21,000 MT (2010: 26,000 MT). Gross profit decreased by 10.0% to approximately HK\$9 million (2010: HK\$10 million) which is mainly attributable to increase in raw material cost by 22.5%. As a result, this joint venture recorded an operating profit of approximately HK\$1 million (2010: HK\$1 million) and share of profits by the Group amounted to approximately HK\$400,000 (2010: HK\$500,000).

## Net profit attributable to shareholders

As a result of the increase in revenue and gross profit, the net profit attributable to shareholders for the Period increased by approximately 61.8% to approximately HK\$102 million (2010: HK\$63 million).

## FINANCIAL RESOURCES AND LIQUIDITY

### Net borrowing position

As at 30 June 2011, the Group had net borrowings of approximately HK\$410 million (31 December 2010: HK\$502 million). The decrease in net borrowings was mainly due to the increase in cash and cash equivalents of approximately HK\$86 million as a result of the cash inflow from operating activities.

### Structure of interest bearing borrowings

As at 30 June 2011, the Group’s bank borrowings amounted to approximately HK\$873 million (31 December 2010: HK\$879 million), of which approximately 10.3% (31 December 2010: 11.4%) was denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Period was approximately 6.7% (2010: 6.1%) per annum.

The percentage of interest bearing borrowings wholly repayable within one year and in the second to the fifth years were approximately 100.0% (31 December 2010: 70.0%) and nil (31 December 2010: 30.0%) respectively. The change in repayment pattern was mainly due to the reallocation of long term bank borrowings to short term bank borrowings during the Period.

### 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 30 June 2011, out of the amounts due from fellow subsidiaries, approximately HK\$186 million representing trade nature portion (31 December 2010: HK\$130 million) was taken into consideration in the calculation of trade receivables turnover days. During the Period, trade receivables turnover days decreased to approximately 60 days (31 December 2010: 69 days) as stringent control on credit terms has been applied. Meanwhile, the outstanding balances of approximately HK\$155 million (31 December 2010: HK\$92 million) as at 30 June 2011 arising from 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 Period, trade payables turnover days decreased to approximately 23 days (31 December 2010: 26 days) as part of the cash flow management. With the decrease in the inventory level of corn kernels of Jinzhou Yuancheng Bio-chem Technology Co., Ltd. as of 30 June 2011 to approximately 134,000 MT (31 December 2010: 195,000 MT), the inventories turnover days decreased to approximately 61 days (31 December 2010: 72 days) for the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

The current ratio and quick ratio as at 30 June 2011 decreased to approximately 1.43 (31 December 2010: 1.67) and 0.98 (31 December 2010: 1.10) due to the increase in short term bank borrowings of HK\$258 million as a result of reclassification of long term bank borrowings with repayable term fall within one year. Gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity were approximately 25.3% (31 December 2010: 26.9%), 41.9% (31 December 2010: 45.6%) and 19.3% (31 December 2010: 26.1%) respectively. The gearing ratio improved as a result of the cash inflow from operating activities which increased the cash and cash equivalents of approximately HK\$86 million. Interest coverage (i.e. EBITDA over finance costs) improved to approximately 7.2 times (2010: 6.1 times) during the Period. It is mainly attributable to the increase in EBITDA by 37.9% to approximately HK\$211 million (2010: HK\$153 million).

## FOREIGN EXCHANGE EXPOSURE

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 global market. To achieve this objective, the Group will strive to enlarge its market share and diversify its product mix, as well as enhance its capability in developing high value-added products and new applications through in-house research and development, and through strategic business alliances 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 utmost importance for the Group to maintain its leading position in the market by expanding its production capacity, and at the same time, expanding its sales network.

In view of business diversification, the launching of retailed packaged sweetener products and beef products were the Group's first step to extend its business line to the retail market. Currently these products are sold directly to consumers via nationwide supermarket chains in the PRC. The Group will continue to diversify its retail market product range in future through the launching of new products.

With respect to the raw material price fluctuation, it is always the Group's objective to secure our corn kernel supply at the lowest cost. To better utilise our current corn storage facilities and subject to market moves, the Group will explore possibilities to further reduce our corn cost and secure our corn supply with a more comprehensive corn procurement policy and network. To achieve this, the Group plans to establish a number of silos at corn originations to procure corn directly from local farmers. It is expected that such arrangement will further secure the quality and the abundant supply of corn kernel at the lowest cost.

As announced by the Company on 2 March 2011, the Company has been in discussions with an independent third party in relation to possible areas of strategic co-operation in corn processing and sweetener businesses within the PRC. As at the date of this announcement, negotiation is still in progress and no definitive or legally binding agreements have been reached between the Company and the independent third party.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EXPANSION OF PRODUCTION CAPACITY

The Board intends to establish new production facilities in the existing locations of the Group's production facilities and other locations in the PRC with an ultimate goal to increase its production capacity and market share. It is currently expected that the construction of these new production facilities will be undertaken by new subsidiaries of the Company or joint venture with third parties.

To secure raw material supply and meet up to the Group's expansion in downstream corn sweeteners production in the future, the Group plans to build an additional 300,000 MT per annum ("mtpa") corn processing capacity in current Jinzhou corn refinery. Construction of this corn processing facility commenced in August this year and is expected to complete by the first quarter of 2012.

For the downstream expansion, in view of the pace of economic recovery and improved market sentiment, the Group decided to add a new HFCS 55 production facilities of 100,000 mtpa in Shanghai to cope with the huge demand growth in the region. Construction of this facility commenced in April and is expected to complete in October this year. In addition, the Group also plans to resume the construction of a new crystallised glucose production facility of 100,000 mtpa capacity, a maltodextrin production facility of 40,000 mtpa capacity and a new HFCS 55 production facility of 100,000 mtpa capacity in Jinzhou. Construction of these projects is expected to start in the fourth quarter of 2011 and the first quarter of 2012 respectively. Commercial production for these new capacities will commence in the second half the 2012 and the first half of 2013 respectively.

The Board estimates that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of each of these 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.

## NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2011, the Group has approximately 1,300 full time employees in Hong Kong and the PRC. The Group emphasises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for enhancing production capability and development of new products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Our staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commission.



## DISCLOSURE OF ADDITIONAL INFORMATION

### INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend in respect of the Period.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2011, 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 (Chapter 571 of the Law of Hong Kong ("SFO")) of the directors and chief executive of the Company 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 ("Model Code") for Securities Transactions by directors of Listed Issuers to be notified to the Company and the Stock Exchange are as follows:

| Name of director | The Company/<br>name of associated<br>corporation                 | Capacity/<br>nature of interest            | Number and<br>class of securities<br>held<br>(Note 1)              | Percentage of<br>the relevant<br>class of issued<br>share capital of<br>the Company/<br>associated<br>corporation |
|------------------|---|--|--|---|
| Kong Zhanpeng    | Global Bio-chem<br>Technology Group<br>Company Limited<br>("GBT") | Beneficial owner                           | 18,256,000<br>ordinary shares of<br>HK\$0.10 each (L)<br>(Note 2)  | 0.56  |
|                  | GBT   | Interest of<br>a controlled<br>corporation | 241,920,000<br>ordinary shares of<br>HK\$0.10 each (L)<br>(Note 2) | 7.43  |
|                  | The Company   | Beneficial owner                           | 1,984,000 shares (L)<br>(Note 3)                                   | 0.17  |
| Xu Zhouwen       | GBT   | Beneficial owner                           | 24,155,600<br>ordinary shares of<br>HK\$0.10 each (L)              | 0.74  |
|                  | GBT   | Interest of<br>a controlled<br>corporation | 295,456,000<br>ordinary shares of<br>HK\$0.10 each (L)<br>(Note 4) | 9.07  |
| Lee Chi Yung     | The Company   | Beneficial owner                           | 3,000,000 shares (L)<br>(Note 5)                                   | 0.26  |

## DISCLOSURE OF ADDITIONAL INFORMATION

### 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 295,456,000 shares are held by Crown Asia Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Xu Zhouwen.
5. These shares are underlying shares comprised in the options granted to Mr. Lee Chi Yung pursuant to the share option scheme of the Company.

Saved as disclosed above, as at 30 June 2011, 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’ RIGHT 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 Period 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’ AND OTHER PERSONS’ INTEREST IN SHARES AND UNDERLYING SHARES

At 30 June 2011, so far as is known to the directors, the following persons (other than the directors or chief executives) had an interest or short position in the shares and underlying shares 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                              | 600,000,000 shares of HK\$0.10 each (L) | 52.18  |
| GBT  | Interest of a controlled corporation (Note 2) | 600,000,000 shares of HK\$0.10 each (L) | 52.18  |
|  | Beneficial owner                              | 500,000 shares of HK\$0.10 each (L)     | 0.04   |

## DISCLOSURE OF ADDITIONAL INFORMATION

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 had, as of 30 June 2011, an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### PURCHASES, 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 Period.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices.

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the Period.

In compliance with the Code, the Company has set up an audit committee and a remuneration committee of the Board. The Board considers the determination of the appointment and removal of Directors to be the Board’s collective decision and thus does not intend to adopt the recommended best practice of the Code to set up a nomination committee.

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 (“Model Code”) 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 Period.

### AUDIT COMMITTEE

The Audit Committee of the Company (the “Audit Committee”) was established in accordance with the requirements of the 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 code provisions of the Code. 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, the effectiveness of internal controls, audit process and risk management.

The interim results of the Group for the Period have not been audited, but they have been reviewed by the Company’s auditors, Ernst & Young and the Audit Committee.

# DISCLOSURE OF ADDITIONAL INFORMATION

## REMUNERATION COMMITTEE

The members of the remuneration committee include an executive Director, Mr. Kong Zhanpeng and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Gao Yunchun. Mr. Kong Zhanpeng is the chairman of the remuneration committee. 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.

## CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

As at the date of this report, the 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 GBT and its subsidiaries (other than the Group and the Company's jointly controlled entities) (collectively, the "GBT Group"). The main duties of the CCT Executive Committee are to prepare continuing connected transactions report and submitted to CCT Supervisory Committee on regular basis.

During the Period, the CCT Executive Committee held six meetings.

## CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee comprising 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 continuing connected transactions 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 sorbitol and corn sweeteners 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 during its review of the CCT Quarterly Report to the Board and to give recommendations to the Board to ensure that the transactions will be entered into in the interests of the Group and the shareholders as a whole.

## DISCLOSURE OF ADDITIONAL INFORMATION

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 and/or sorbitol 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 (aa) 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 (bb) 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 and sorbitol to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn sweeteners and sorbitol 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 and sorbitol 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 and sorbitol of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (3) above;



## DISCLOSURE OF ADDITIONAL INFORMATION

- (iii) where the above market unit pricing information or the unit selling price offered to independent customers relate to corn sweeteners and sorbitol 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 and sorbitol with such particular specifications is fair and reasonable and on normal commercial terms.
- (4) 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 and sorbitol to, the GBT Group during the quarter.
- (5) 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.
- (6) the auditors of the Group will be engaged to review the continuing connected transactions (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.

Two 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 30 May 2011 and 22 August 2011. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase conducted during the Period 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 Period 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.

### 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 on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

## DISCLOSURE OF ADDITIONAL INFORMATION

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

| Participants | Number of share options |            |            |           |                  |                            |                  | Price of Company's shares |                  |             |             |
|--------------|-------------------------|------------|------------|-----------|------------------|----------------------------|------------------|---------------------------|------------------|-------------|-------------|
|              | At                      | Lapsed     | Exercised  | At        | Date of grant    | Exercise period            | Vesting period   | Exercise price            | Weighted average |             | At exercise |
|              | 1 January               | during the | during the | 30 June   |                  |                            |                  |                           | closing price    | immediately |             |
|              | 2011                    | Period     | Period     | 2011      | of share options | of share options           | of share options | of share options          | before the       | before the  | options     |
|              |                         |            |            |           |                  |                            | HK\$             | HK\$                      | HK\$             | HK\$        |             |
|              |                         |            |            |           |                  |                            | per share        | per share                 | per share        | per share   |             |
| Lee Chi Yung | 3,000,000               | –          | –          | 3,000,000 | 7 July 2008      | 7 July 2008 to 6 July 2011 | –                | 1.59                      | 1.63             | N/A         | N/A         |
| Employees    | 330,000                 | –          | (330,000)  | –         | 7 July 2008      | 7 July 2008 to 6 July 2011 | –                | 1.59                      | 1.63             | 1.71        | 1.84        |
|              | 3,330,000               |            | (330,000)  | 3,000,000 |                  |                            |                  |                           |                  |             |             |

At 30 June 2011, the options granted to subscribe for 3,000,000 Shares remained outstanding, representing approximately 0.26% of the issued share capital of the Company at that date. No options to subscribe for Shares have been granted or cancelled during the Period.

### DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

As recommended by the remuneration committee of the Company on 14 June 2011 and approved by the Board on 30 June 2011, the monthly salary of Mr. Kong Zhanpeng payable under the service agreement entered into between the Company and Mr. Kong Zhanpeng dated 3 September 2007 has been increased to HK\$300,000 with effect from 1 July 2011.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

## INTRODUCTION

We have reviewed the interim financial information of Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 36 which comprises the condensed consolidated statement of financial position as at 30 June 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
18/F, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

29 August 2011

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

|  | Notes | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
|--|-------|---------------------------------|---------------------------------|
| REVENUE  |       |                                 |                                 |
| Sales of goods   | 4     | 2,027,741                       | 1,525,736                       |
| Cost of sales  |       | (1,739,395)                     | (1,341,793)                     |
| Gross profit   |       | 288,346                         | 183,943                         |
| Other income   | 4     | 14,387                          | 14,223                          |
| Selling and distribution costs   |       | (102,444)                       | (62,756)                        |
| Administrative expenses  |       | (38,547)                        | (31,989)                        |
| Other expenses   |       | (2,676)                         | 1,295                           |
| Finance costs  | 5     | (29,367)                        | (25,161)                        |
| Share of profits of jointly controlled entities  | 12    | 399                             | 545                             |
| PROFIT BEFORE TAX  | 6     | 130,098                         | 80,100                          |
| Income tax expense   | 7     | (26,523)                        | (16,201)                        |
| PROFIT FOR THE PERIOD  |       | 103,575                         | 63,899                          |
| OTHER COMPREHENSIVE INCOME   |       |                                 |                                 |
| Exchange difference on translation of financial statements of operations outside Hong Kong |       | 52,202                          | (257)                           |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD  |       | 155,777                         | 63,642                          |
| PROFIT ATTRIBUTABLE TO:  |       |                                 |                                 |
| Owners of the Company  |       | 102,325                         | 63,238                          |
| Non-controlling interests  |       | 1,250                           | 661                             |
|  |       | 103,575                         | 63,899                          |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:  |       |                                 |                                 |
| Owners of the Company  |       | 154,261                         | 62,981                          |
| Non-controlling interests  |       | 1,516                           | 661                             |
|  |       | 155,777                         | 63,642                          |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY                  |       |                                 |                                 |
| – Basic  | 8     | HK8.90 cents                    | HK5.68 cents                    |
| – Diluted  | 8     | HK8.90 cents                    | HK5.67 cents                    |
| DIVIDEND PER SHARE   | 9     | –                               | –                               |

Details of the dividends proposed for the period ended 30 June 2011 are disclosed in note 9 to the condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

|  | Notes | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|--|-------|--|--|
| <b>NON-CURRENT ASSETS</b>                                      |       |  |  |
| Property, plant and equipment                                  | 10    | 1,168,189                                  | 1,157,692                                    |
| Prepaid land premiums  |       | 107,552                                    | 106,146                                      |
| Deposits paid for acquisition of property, plant and equipment |       | 15,956                                     | 5,439  |
| Goodwill   |       | 183,538                                    | 183,538                                      |
| Deferred tax assets  |       | 1,052                                      | 595  |
| Breeding biological assets                                     | 11    | 9,003                                      | 7,535  |
| Investments in jointly controlled entities                     | 12    | 100,297                                    | 97,372                                       |
| <b>Total non-current assets</b>                                |       | <b>1,585,587</b>                           | <b>1,558,317</b>                             |
| <b>CURRENT ASSETS</b>  |       |  |  |
| Inventories  |       | 583,853                                    | 585,981                                      |
| Trade and bills receivables                                    | 13    | 488,556                                    | 503,246                                      |
| Prepayments, deposits and other receivables                    |       | 68,201                                     | 50,989                                       |
| Trading biological assets                                      | 11    | 2,162                                      | 1,948  |
| Due from jointly controlled entities                           | 18(c) | 4,635                                      | 3,110  |
| Due from the immediate holding company                         | 18(c) | 21,086                                     | 21,086                                       |
| Due from fellow subsidiaries                                   | 18(c) | 234,376                                    | 172,085                                      |
| Cash and cash equivalents                                      |       | 463,182                                    | 377,559                                      |
| <b>Total current assets</b>                                    |       | <b>1,866,051</b>                           | <b>1,716,004</b>                             |
| <b>CURRENT LIABILITIES</b>                                     |       |  |  |
| Trade payables   | 14    | 61,347                                     | 122,850                                      |
| Other payables and accruals                                    |       | 164,002                                    | 133,571                                      |
| Interest-bearing bank and other borrowings                     |       | 873,333                                    | 614,943                                      |
| Due to the ultimate holding company                            | 18(c) | 3,259                                      | 3,417  |
| Due to fellow subsidiaries                                     | 18(c) | 194,402                                    | 128,466                                      |
| Due to jointly controlled entities                             |       | —  | 17,299                                       |
| Tax payable  |       | 9,875                                      | 3,997  |
| <b>Total current liabilities</b>                               |       | <b>1,306,218</b>                           | <b>1,024,543</b>                             |
| <b>NET CURRENT ASSETS</b>                                      |       | <b>559,833</b>                             | <b>691,461</b>                               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | <b>2,145,420</b>                           | <b>2,249,778</b>                             |
| <b>NON-CURRENT LIABILITIES</b>                                 |       |  |  |
| Interest-bearing bank and other borrowings                     |       | —  | 264,368                                      |
| Deferred tax liabilities                                       |       | 62,205                                     | 58,498                                       |
| <b>Total non-current liabilities</b>                           |       | <b>62,205</b>                              | <b>322,866</b>                               |
| <b>Net assets</b>  |       | <b>2,083,215</b>                           | <b>1,926,912</b>                             |
| <b>EQUITY</b>  |       |  |  |
| <b>Equity attributable to owners of the Company</b>            |       |  |  |
| Share capital  | 15    | 114,981                                    | 114,948                                      |
| Reserves   |       | 1,959,342                                  | 1,804,588                                    |
|  |       | 2,074,323                                  | 1,919,536                                    |
| <b>Non-controlling interests</b>                               |       | <b>8,892</b>                               | <b>7,376</b>                                 |
| <b>Total equity</b>  |       | <b>2,083,215</b>                           | <b>1,926,912</b>                             |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

|  | Attributable to owners of the Company |                                   |                                       |                                    |  |                                  |                              |                                     |                   |                                       |                          |
|--|---------------------------------------|-----------------------------------|---------------------------------------|------------------------------------|--|----------------------------------|------------------------------|-------------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Issued share capital<br>HK\$'000      | Share Premium account<br>HK\$'000 | Asset revaluation reserve<br>HK\$'000 | Statutory reserve fund<br>HK\$'000 | Exchange fluctuation reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Proposed final dividend<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 31 December 2010 and<br>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 period  | –                                     | –                                 | –                                     | –                                  | –  | –                                | 102,325                      | –                                   | 102,325           | 1,250                                 | 103,575                  |
| Other comprehensive income<br>for the period:                            |                                       |                                   |                                       |                                    |  |                                  |                              |                                     |                   |                                       |                          |
| Exchange realignment   | –                                     | –                                 | –                                     | –                                  | 49,409                                   | –                                | –                            | –                                   | 49,409            | 266                                   | 49,675                   |
| Share of other comprehensive<br>income of jointly controlled<br>entities | –                                     | –                                 | –                                     | –                                  | 2,527                                    | –                                | –                            | –                                   | 2,527             | –                                     | 2,527                    |
| Total comprehensive income for<br>the period                             | –                                     | –                                 | –                                     | –                                  | 51,936                                   | –                                | 102,325                      | –                                   | 154,261           | 1,516                                 | 155,777                  |
| Equity-settled share option<br>arrangement                               | 33                                    | 647                               | –                                     | –                                  | –  | (154)                            | –                            | –                                   | 526               | –                                     | 526                      |
| At 30 June 2011 (Unaudited)  | 114,981                               | 753,768*                          | 24,534*                               | 100,838*                           | 229,842*                                 | 1,416*                           | 848,944*                     | –                                   | 2,074,323         | 8,892                                 | 2,083,215                |

\* These reserve accounts comprise the consolidated reserves of the Group of HK\$1,959,342,000 (unaudited) (31 December 2010: HK\$1,804,588,000) on the condensed consolidated statement of financial position.

|  | Attributable to owners of the Company |                                   |                                       |                                    |  |                                  |                              |                                     |                   |                                       |                          |
|--|---------------------------------------|-----------------------------------|---------------------------------------|------------------------------------|--|----------------------------------|------------------------------|-------------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Issued share capital<br>HK\$'000      | Share Premium account<br>HK\$'000 | Asset revaluation reserve<br>HK\$'000 | Statutory reserve fund<br>HK\$'000 | Exchange fluctuation reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Proposed final dividend<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 31 December 2009 and<br>1 January 2010          | 104,927                               | 579,388                           | 24,534                                | 88,305                             | 150,226                                  | 1,667                            | 670,539                      | 10,493                              | 1,630,079         | 5,716                                 | 1,635,795                |
| Profit for the period                              | –                                     | –                                 | –                                     | –                                  | –  | –                                | 63,238                       | –                                   | 63,238            | 661                                   | 63,899                   |
| Other comprehensive income for<br>the period:      |                                       |                                   |                                       |                                    |  |                                  |                              |                                     |                   |                                       |                          |
| Exchange realignment                               | –                                     | –                                 | –                                     | –                                  | (257)                                    | –                                | –                            | –                                   | (257)             | –                                     | (257)                    |
| Total comprehensive income for<br>the period       | –                                     | –                                 | –                                     | –                                  | (257)                                    | –                                | 63,238                       | –                                   | 62,981            | 661                                   | 63,642                   |
| Equity-settled share option<br>arrangement         | 21                                    | 235                               | –                                     | –                                  | –  | (95)                             | 43                           | –                                   | 204               | –                                     | 204                      |
| Issuance of Taiwan Depository<br>Receipts ("TDRs") | 10,000                                | 178,198                           | –                                     | –                                  | –  | –                                | –                            | –                                   | 188,198           | –                                     | 188,198                  |
| Share issue expenses                               | –                                     | (4,700)                           | –                                     | –                                  | –  | –                                | –                            | –                                   | (4,700)           | –                                     | (4,700)                  |
| Final 2009 dividend declared                       | –                                     | –                                 | –                                     | –                                  | –  | –                                | –                            | (10,493)                            | (10,493)          | –                                     | (10,493)                 |
| At 30 June 2010 (Unaudited)                        | 114,948                               | 753,121*                          | 24,534*                               | 88,305*                            | 149,969*                                 | 1,572*                           | 733,820*                     | –                                   | 1,866,269         | 6,377                                 | 1,872,646                |

\* These reserve accounts comprise the consolidated reserves of the Group of HK\$1,751,321,000 (unaudited) (31 December 2009: HK\$1,514,659,000) on the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Net cash flows from/(used in) operating activities                                       | 140,286                         | (85,783)                        |
| Net cash flows used in investing activities  | (28,005)                        | (115,712)                       |
| Net cash flows (used in)/from financing activities                                       | (61,056)                        | 274,163                         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>51,225</b>                   | 72,668                          |
| Cash and cash equivalents at beginning of period   | 377,559                         | 296,556                         |
| Effect of foreign exchange rate changes, net   | 34,398                          | (257)                           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>  | <b>463,182</b>                  | 368,967                         |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                 |                                 |                                 |
| Cash and bank balances   | 412,966                         | 302,513                         |
| Non-pledged time deposits with original maturity of less than three months when acquired | 50,216                          | 66,454                          |

## 1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries (hereafter referred to as the “Group”) for the six months ended 30 June 2011 are authorised for issue in accordance with a resolution of the directors (the “Directors”) passed on 29 August 2011.

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 of the Company is located at Cricket Square, Hutchins Drive, P.O. 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, 18 Harcourt Road, Hong Kong. The Group is involved in the manufacture and sale of corn refined products, corn-based sweetener products, and cattle breeding and beef selling. There were no changes in the nature of the Group’s principal activities during the period.

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

### Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010. The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements.

|                             |   |
|-----------------------------|---|
| HKFRSs (Amendments)         | <i>Improvements to HKFRSs issued in 2010</i>  |
| HKAS 24 (Revised)           | <i>Related Party Disclosures</i>  |
| HKAS 32 Amendment           | <i>Amendment to HKAS 32 Financial Instruments: Presentation –<br/>Classification of Rights Issues</i>   |
| HKFRS 1 Amendment           | <i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial<br/>Reporting Standards – Limited Exemption from Comparative<br/>HKFRS 7 Disclosures for First-time Adopters</i> |
| HK(IFRIC)-Int 14 Amendments | <i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding<br/>Requirement</i>  |
| HK(IFRIC)-Int 19            | <i>Extinguishing Financial Liabilities with Equity Instruments</i>  |

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s interim condensed consolidated financial statements.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements:

|                    |  |
|--------------------|--|
| HKAS 1 (Revised)   | <i>Presentation of Financial Statements</i> <sup>3</sup>   |
| HKAS 12 Amendments | <i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>   |
| HKAS 19 (2011)     | <i>Employee Benefits</i> <sup>4</sup>  |
| HKAS 27 (2011)     | <i>Separate Financial Statements</i> <sup>4</sup>  |
| HKAS 28 (2011)     | <i>Investments in Associates and Joint Ventures</i> <sup>4</sup>   |
| HKFRS 1 Amendments | <i>Amendments to HKFRS 1 First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup> |
| HKFRS 7 Amendments | <i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>                                       |
| HKFRS 9            | <i>Financial Instruments</i> <sup>4</sup>  |
| HKFRS 10           | <i>Consolidated Financial Statements</i> <sup>4</sup>  |
| HKFRS 11           | <i>Joint Arrangements</i> <sup>4</sup>   |
| HKFRS 12           | <i>Disclosure of Interest in Other Entities</i> <sup>4</sup>   |
| HKFRS 13           | <i>Fair Value Measurement</i> <sup>4</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

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

- (i) the corn refined products segment comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products;
- (ii) the corn based sweetener products segment comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup, crystallised glucose and maltodextrin; and
- (iii) the biological products segment comprises the breeding of cattle and sales of beef.

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 such measurement.

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 the mainland of the People's Republic of China ("Mainland China") and in regions other than Mainland China. The geographical information is another basis on which the Group reports its segment information.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 3. SEGMENT INFORMATION (continued)

### (a) Business units information

|  | Corn refined products           |                                 | Corn based sweetener products   |                                 | Biological products             |                                 | Total                           |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | Six months ended 30 June        |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
|  | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Segment revenue:                         |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Sales to external customers              | 685,184                         | 490,955                         | 1,276,368                       | 933,232                         | 66,189                          | 101,549                         | 2,027,741                       | 1,525,736                       |
| Intersegment sales                       | 206,085                         | 161,458                         | —                               | —                               | —                               | —                               | 206,085                         | 161,458                         |
| <i>Reconciliation:</i>                   |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Elimination of intersegment sales        | (206,085)                       | (161,458)                       | —                               | —                               | —                               | —                               | (206,085)                       | (161,458)                       |
| Revenue                                  | 685,184                         | 490,955                         | 1,276,368                       | 933,232                         | 66,189                          | 101,549                         | 2,027,741                       | 1,525,736                       |
| Segment results                          | 47,289                          | 49,645                          | 104,489                         | 43,383                          | 3,626                           | 1,665                           | 155,404                         | 94,693                          |
| <i>Reconciliation:</i>                   |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| Bank interest income                     |                                 |                                 |                                 |                                 |                                 |                                 | 572                             | 339                             |
| Unallocated gains                        |                                 |                                 |                                 |                                 |                                 |                                 | 13,815                          | 14,430                          |
| Corporate and other unallocated expenses |                                 |                                 |                                 |                                 |                                 |                                 | (10,326)                        | (4,201)                         |
| Finance costs                            |                                 |                                 |                                 |                                 |                                 |                                 | (29,367)                        | (25,161)                        |
| Profit before tax                        |                                 |                                 |                                 |                                 |                                 |                                 | 130,098                         | 80,100                          |

### (b) Geographical information

|                             | Mainland China                  |                                 | Regions other than Mainland China |                                 | Consolidated                    |                                 |
|-----------------------------|---------------------------------|---------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                             | Six months ended 30 June        |                                 |                                   |                                 |                                 |                                 |
|                             | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000   | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Segment revenue:            |                                 |                                 |                                   |                                 |                                 |                                 |
| Sales to external customers | 1,900,330                       | 1,457,078                       | 127,411                           | 68,658                          | 2,027,741                       | 1,525,736                       |



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 4. REVENUE AND OTHER INCOME

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 other income is as follows:

|                                  | Six months ended 30 June        |                                 |
|----------------------------------|---------------------------------|---------------------------------|
|                                  | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Bank interest income             | 572                             | 339                             |
| Sales of scrap and raw materials | 7,708                           | 6,535                           |
| Exchange gains                   | 3,194                           | 347                             |
| Government grants*               | 2,462                           | 6,241                           |
| Others                           | 451                             | 761                             |
|                                  | <b>14,387</b>                   | <b>14,223</b>                   |

\* Government grants during the current period represented the rewards for energy-saving technology retrofit to a subsidiary located in Mainland China and tax refund awarded to certain subsidiaries located in Mainland China for export sales.

## 5. FINANCE COSTS

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Interest on bank loans:                       |                                 |                                 |
| Wholly repayable within five years            | 23,265                          | 21,280                          |
| Finance costs for discounted bills receivable | 6,102                           | 3,881                           |
|   | <b>29,367</b>                   | <b>25,161</b>                   |

## 6. PROFIT BEFORE TAX

The Group's profit from operating activities is arrived at after charging/(crediting):

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Raw materials and consumables used                     | 1,429,818                       | 1,015,321                       |
| Depreciation   | 48,334                          | 45,146                          |
| Amortisation of prepaid land premiums                  | 2,731                           | 3,009                           |
| Impairment/(write-back) of trade and bills receivables | 2,463                           | (1,535)                         |
| Impairment of inventories to net realisable value      | 1,552                           | 5,909                           |
| Employee benefits expense                              | 30,578                          | 20,884                          |

## 7. INCOME TAX EXPENSE

|                            | Six months ended 30 June        |                                 |
|----------------------------|---------------------------------|---------------------------------|
|                            | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Provisions for the period: |                                 |                                 |
| Hong Kong profits tax      | —                               | —                               |
| PRC corporate income tax   | 26,523                          | 16,201                          |
| Tax charge for the period  | 26,523                          | 16,201                          |

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

The statutory tax rate for all subsidiaries in Mainland China is 25% for the six months ended 30 June 2011 (2010: 25%).

During the current period, tax on the assessable profit of one (2010: one) PRC subsidiary had been calculated at 50% of the applicable prevailing tax rate in the PRC.

The tax rate of one (2010: one) subsidiary, which was granted the Technologically Advanced Enterprise status and was 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 subsidiary enjoyed the corporate income tax rates of 15% in 2007, 18% in 2008, 20% in 2009 and 22% in 2010 and is subject to the corporate income tax rates of 24% in 2011 and 25% in 2012.

No provision for income tax has been made for the remaining PRC subsidiaries of the Company as they did not generate any assessable profits for the current and prior periods.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings per share for the period ended 30 June 2011 is calculated based on the consolidated profit for the period attributable to owners of the Company of approximately HK\$102,325,000 (2010: HK\$63,238,000) and the weighted average number of ordinary shares in issue during the period of 1,149,562,000 (2010: 1,112,797,000).

The calculation of the diluted earnings per share amount is based on the profit attributable to owners of the Company for the six months ended 30 June 2011 of approximately HK\$102,325,000 (2010: HK\$63,238,000) and the weighted average number of ordinary shares of 1,149,650,000 (2010: 1,115,202,000), being the weighted average number of ordinary shares of 1,149,562,000 (2010: 1,112,797,000) in issue during the period, as used in the basic earnings per share calculation, plus the weighted average of 88,000 (2010: 2,405,000) ordinary shares assumed to be issued at no consideration on the deemed exercise of the share options during the period.

## 9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 10. PROPERTY, PLANT AND EQUIPMENT

|                                  | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Audited)<br>HK\$'000 |
|----------------------------------|---------------------------------|-------------------------------|
| At 1 January 2011/1 January 2010 | 1,157,692                       | 1,199,849                     |
| Additions                        | 19,068                          | 32,270                        |
| Exchange realignment             | 40,251                          | 26,872                        |
| Disposals                        | (17)                            | (978)                         |
| Depreciation                     | (48,805)                        | (100,321)                     |
| At 30 June 2011/31 December 2010 | 1,168,189                       | 1,157,692                     |

## 11. BIOLOGICAL ASSETS

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

|                            | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|----------------------------|--|--|
| Breeding biological assets | 9,003                                      | 7,535  |
| Trading biological assets  | 2,162                                      | 1,948  |
|                            | 11,165                                     | 9,483  |

The Group's biological assets comprise breeding cattle and trading cattle.

The Group's biological assets were revalued at the end of each year on a fair value basis. As at 31 December 2010, the Group's biological assets 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.

## 12. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

|                                     | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|-------------------------------------|--|--|
| Share of net assets                 | 60,297                                     | 57,372                                       |
| Loan to a jointly controlled entity | 40,000                                     | 40,000                                       |
|                                     | 100,297                                    | 97,372                                       |

The long term loan of HK\$40 million to a jointly controlled entity represents a quasi-equity loan which is stated at cost less impairment. The long term loan of HK\$40 million was unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly controlled entity, whenever is the earlier.

## 12. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Particulars of the jointly controlled entities are as follows:

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

\* Wholly-foreign-owned enterprise

All of the above investments in jointly controlled entities are indirectly held by the Company.

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

|   | 30 June<br>2011<br>(Unaudited)<br>HK\$'000                  | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|---|---|--|
| Share of the jointly controlled entities' assets and liabilities: |   |  |
| Current assets  | 71,614  | 68,962                                       |
| Non-current assets  | 17,314  | 17,430                                       |
| Current liabilities   | (27,815)  | (28,205)                                     |
| Non-current liabilities   | (816)   | (815)  |
| <b>Net assets</b>   | <b>60,297</b>   | <b>57,372</b>                                |
|   |   |  |
|   | Six months ended 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000              |
| Share of the jointly controlled entities' results:                |   |  |
| Revenue   | 37,312  | 36,262                                       |
| Other income  | 316   | 534  |
| <b>Total expenses</b>   | <b>37,628</b>   | <b>36,796</b>                                |
| Tax   | (28)  | (69)   |
| <b>Profit after tax</b>   | <b>399</b>  | <b>545</b>                                   |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 13. TRADE AND BILLS RECEIVABLES

|                   | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|-------------------|--|--|
| Trade receivables | 405,199                                    | 360,000                                      |
| Bills receivables | 86,335                                     | 146,041                                      |
| Impairment        | (2,978)                                    | (2,795)                                      |
| <b>Total</b>      | <b>488,556</b>                             | <b>503,246</b>                               |

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days was allowed to four major customers with long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. Significant concentrations of risk exists where the Group has material exposures to trade receivables from one customer located in Mainland China which accounted for 12% of the total trade and bills receivables as at 30 June 2011 (31 December 2010: 17%).

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

|                | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|----------------|--|--|
| Within 1 month | 203,658                                    | 233,224                                      |
| 1 – 2 months   | 125,805                                    | 96,234                                       |
| 2 – 3 months   | 75,181                                     | 55,397                                       |
| Over 3 months  | 83,912                                     | 118,391                                      |
| <b>Total</b>   | <b>488,556</b>                             | <b>503,246</b>                               |

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

|   | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Audited)<br>HK\$'000 |
|---|---------------------------------|-------------------------------|
| At 1 January 2011/1 January 2010        | 2,795                           | 2,680                         |
| Impairment losses recognised            | 2,582                           | 2,299                         |
| Impairment losses reversed              | (119)                           | (1,866)                       |
| Exchange realignment                    | 101                             | (318)                         |
| Amount written off as uncollectible     | (2,381)                         | —                             |
| <b>At 30 June 2011/31 December 2010</b> | <b>2,978</b>                    | <b>2,795</b>                  |

## 13. TRADE AND BILLS RECEIVABLES *(continued)*

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

|                               | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|-------------------------------|--|--|
| Neither past due nor impaired | 439,444                                    | 414,349                                      |
| Less than 1 month past due    | 9,454                                      | 17,003                                       |
| 1 to 3 months past due        | 11,782                                     | 11,243                                       |
| Over 3 months past due        | 27,876                                     | 60,651                                       |
| <b>Total</b>                  | <b>488,556</b>                             | <b>503,246</b>                               |

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. The Group does not hold any collateral or other credit enhancements over these balances.

## 14. TRADE PAYABLES

The Group normally obtains credit terms ranging 30 to 90 days from its suppliers, which are normally settled on a cash basis. The carrying amounts of trade payables approximate to their fair values.

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

|                | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|----------------|--|--|
| Within 1 month | 37,918                                     | 105,262                                      |
| 1 – 2 months   | 13,501                                     | 11,532                                       |
| 2 – 3 months   | 2,917                                      | 941  |
| Over 3 months  | 7,011                                      | 5,115  |
| <b>Total</b>   | <b>61,347</b>                              | <b>122,850</b>                               |



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 15. SHARE CAPITAL

The following is a summary of the authorised share capital and the movements in the issued share capital of the Company:

|   | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Authorised:<br>100,000,000,000 (31 December 2010: 100,000,000,000)<br>ordinary shares of HK\$0.10 each        | 10,000,000                                 | 10,000,000                                   |
| Issued and fully paid:<br>1,149,808,000 (31 December 2010: 1,149,478,000) ordinary<br>shares of HK\$0.10 each | 114,981                                    | 114,948                                      |

As at 30 June 2011, the issued and fully paid share capital is 1,149,808,000 with ordinary shares of HK\$0.10 each. The movement in the issued share capital during the period was as follows:

- On 16 May 2011, the subscription rights attaching to 330,000 options were exercised at the subscription price of HK\$1.59 per share, resulting in the issue of 330,000 shares of HK\$0.10 each on 23 May 2011, for a total cash consideration, before expenses, of approximately HK\$525,000.

## 16. 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 about HK\$592,857,000 as at 30 June 2011 (31 December 2010: HK\$664,368,000).

## 17. COMMITMENTS

The Group had capital commitments as follows:

|                                   | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|-----------------------------------|--|--|
| Contracted, but not provided for: |  |  |
| Leasehold buildings               | 19,028                                     | 26,291                                       |
| Plant and machinery               | 36,953                                     | 6,698  |
|                                   | 55,981                                     | 32,989                                       |

## 18. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

During the period, the following related party transactions were noted:

|   | Notes | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Purchases from fellow subsidiaries<br>– corn starch             | (i)   | 545,432                         | 424,649                         |
| Sales to fellow subsidiaries<br>– corn sweeteners               | (ii)  | 360,575                         | 370,713                         |
| Purchases from a jointly controlled entity<br>– corn sweeteners | (i)   | 127                             | –                               |
| Sales to a jointly controlled entity<br>– corn starch           | (ii)  | 28,507                          | 23,545                          |
| Sales to a related company<br>– biological products             | (iii) | 36,773                          | 97,383                          |
| Utility costs charged to a jointly controlled entity            | (iv)  | 4,961                           | 5,874                           |
| Utility costs charged by a fellow subsidiary                    | (iv)  | 50,225                          | 45,655                          |
| Agency fee charged by a fellow subsidiary                       | (v)   | 2,355                           | 1,269                           |

- (i) The Group sourced corn starch and corn sweetener product from fellow subsidiaries. These purchases were made at prices based on the mutual agreements between the parties.
- (ii) The Group sold corn sweetener products to fellow subsidiaries and a jointly controlled entity. These sales were made at prices mutually agreed between the parties.
- (iii) The Group sold the biological products to a related company of a subsidiary. The sales was made at prices mutually agreed between the parties.
- (iv) The Group used the utility facilities provided by a fellow subsidiary and a jointly controlled entity used the utility facilities provided by the Group. The utility costs were charged based on actual costs incurred.
- (v) 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 mutual agreement between parties.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 18. RELATED PARTY TRANSACTIONS *(continued)*

### (b) Compensation of key management personnel of the Group

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2011<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 |
| Short term employee benefits                               | 2,966                           | 3,474                           |
| Post-employment benefits                                   | 36                              | 6                               |
| <b>Total compensation paid to key management personnel</b> | <b>3,002</b>                    | <b>3,480</b>                    |

### (c) Balances with the related parties

Balances with group companies and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair value.

## 19. EVENTS AFTER THE REPORTING PERIOD

On 11 July 2011, the Company granted 31,400,000 share options to certain employees of the Group to subscribe for the Company's ordinary shares with a nominal value of HK\$0.10 each under the share option scheme. The exercise price was HK\$1.67 per share and the exercise period ranges from 11 July 2011 to 10 July 2016.