大成糖業控股有限公司*

Global Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3889

ANNUAL REPORT 2007

* For identification purposes only

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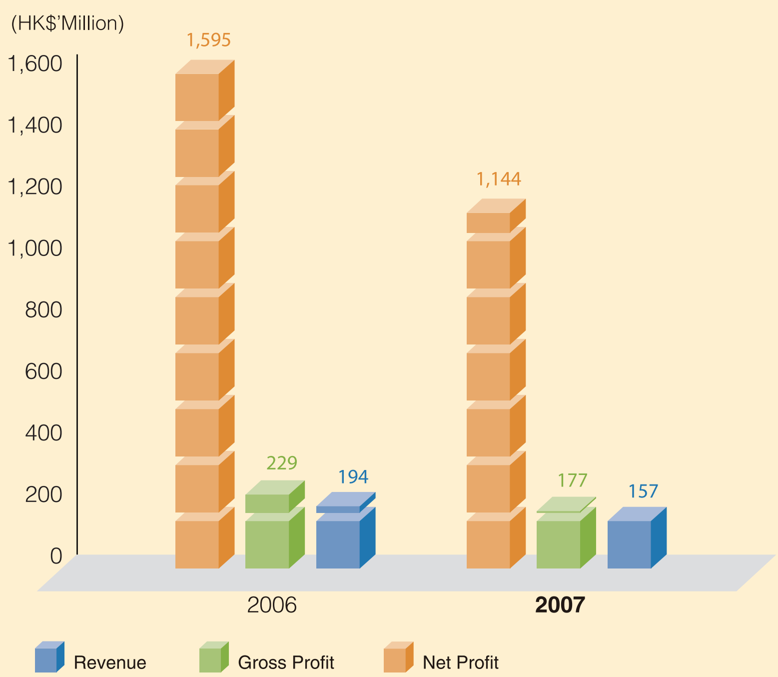
FINANCIAL HIGHLIGHTS

	2007	2006	Change %
Revenue (HK$'Mn)	**1,595**	1,144	39
Profit before tax (HK$'Mn)	**229**	177	29
Net profit from ordinary activities attributable to shareholders (HK$'Mn)	**194**	157	24
Basic earnings per share (HK cents)	**18.5**	15.0	23
Dividend per share			
— Interim (HK cents)	**NIL**	NIL	N/A
— Proposed final (HK cents)	**NIL**	NIL	N/A



MESSAGE TO SHAREHOLDERS

Dear shareholders,

This is the Company's first full year report since its listing on the Main Board of The Stock Exchange of Hong Kong Limited in September last year.

For the year ended 31 December 2007, the revenue and profit attributable to equity holders of the Company increased by 39.4 per cent and 23.6 per cent respectively, when compared with those of the previous year. The Company has been maintaining its profit growth in four consecutive years.

According to the report issued by the National Bureau of Statistics of China in 2007, the country's national income had reached the level of middle income countries. The report also showed that the size of China economy had leaped from the 6th position to world's 4th largest, with its national income per capita almost doubled.

With an increasingly affluent Chinese population, the country's consumers are becoming more health conscious in their diet. As a result, the use of starch sweeteners has gained higher acceptance and growing popularity in recent years. The rise in demand for starch sweeteners is also attributable to the wide applications of starch sweeteners in various industries.

During the Year, the Group continued to maintain steady growth. With the arrival of the industry's peak season in the second half of the year, the Group reported increases in sales volume of various sweetener products. The surge in earnings from crystallised glucose, glucose syrup and maltose syrup led to a 32.9 per cent growth in overall gross profit when compared with the previous year's.

The average corn price has increased substantially during the year, resulted in a 20.0 per cent upsurge in the price of corn starch — the Group's major raw material. Nevertheless, the Group managed to pass most of the cost increasing pressure onto its customers, through adjusting prices of various sweetener products. As a result, the Group's profit margin maintained at a level of 21.0 per cent during the year.

In January 2008, the Group acquired the remaining 49 per cent equity interest in the sorbitol joint venture project — Global-Nikken (Hong Kong) from the other joint venture partner, the Mitsui Group. Following the acquisition, Global-Nikken (Hong Kong) (together with its wholly-owned subsidiary CDNP) has become a wholly-owned subsidiary of the Group. The acquisition serves to strengthen overall operation efficiency of CDNP and increase its flexibility in production planning and human resources allocation.

The Group is one of the largest corn sweetener producers in China, and supplies the most diversified range of sweetener products in the country. During the year, the Group continued to expand its production capacity so as to maintain its leading position in the PRC market. The Group has, according to the schedule as outlined in the Prospectus, begun constructing a new glucose plant with a capacity of 200,000 mtpa in Jinzhou in October 2007. The plant is expected to commence production in the second half of 2008. After that, a 100,000-metric-ton crystallised glucose plant in Jinzhou will start its construction by the end of 2008, which will become operational in the first half of 2009. On the other hand, a crystallised glucose plant of 100,000 mtpa in Changchun (phase II) will commence construction in the second half of 2008. Upon completion, the Group's total capacity will be lifted to 1.42 million metric tonnes.

Prospects

Stabilising the prices of food is of utmost importance to the PRC Government in recent years, which could be observed in the Government's stringent control on the use of corn kernel as raw material for producing ethanol. Together with the good harvest in year 2007, it is expected to pose positive impacts on corn price. The Group expects corn price will be stabilised this year. As for corn starch, the Group's major raw material, there was a modest increase in price resulting from the surge in corn price during the year. However, the price movement was within an acceptable range.

On the other hand, with a weak US dollar, the crude oil price continues to fluctuate at a high level. The increasing use of corn sweeteners for bio-fuel production worldwide, and the growing popularity and wide applications of corn sweeteners across different industries have fueled the surge in sweetener prices. The effect was compounded by the snowstorm in China earlier this year, which is expected to result in the reduction in cane sugar production in coming year. Consequently, the supply of corn sweeteners and related products will be tightened up. Having considered the above reasons, the Group expects the price of sweeteners in China will increase significantly in the coming year.

The Group is considering to obtain an upstream corn refinery through merger and acquisition, in order to secure its raw material supply. The Group also plans to raise its aggregate capacity to 1,960,000 metric tonnes by 2009. As at the end of 2007, the aggregate production capacity of the Group amounted to 1,020,000 metric tonnes.

In addition, the Group's crystallised glucose plant in Changchun will achieve optimum utilisation and run at its full capacity of 200,000 metric tonnes in 2008.

As the price of sorbitol has recovered, the Group expects the sorbitol business will provide profit contribution in the coming year.

Notwithstanding the Mitsui Group has disposed of its equity interest in the sorbitol project, the two parties still stay in close contact and are currently studying the feasibility of further collaboration at a higher level.

Apart from this, the Group is in discussion with Cargill Inc. for further collaboration and working more closely together in the area of HFCS business. The Group's HFCS project with Cargill Inc. in Shanghai is in a mature operation, and running at its full capacity. During the year, the HFCS production facility in Shanghai has expanded its capacity from 100,000 to 120,000 metric tonnes through installation of additional machinery. The Group believes that by extending the scope of collaboration with Cargill Inc. in China, it could further strengthen the Group's production technology and management skills, and will further consolidate the two's leading position in HFCS business in China.

The Group is studying various proposals and strategies in market development, including launching retail packaged sweetener products for household consumption, and development of its own retail brand. To explore the retail market, the Group has established a sales office in Shanghai, which has been actively conducting relevant market researches and studies. On the other hand, the Group also focuses on further expanding its domestic sales network in order to consolidate its leading position in the PRC market. The Group believes the move can help strengthen its overall income. Since the first quarter of 2008, the Group has been exporting its sweetener products directly to overseas markets for users in catering, food and beverage and fermentation industries. Products of the Group have been exported to Southeast Asian countries and regions such as the Philippines, Indonesia, and Taiwan, with a small amount of glucose exported to West Africa and South Korea.

Looking forward to the coming year, in addition to the continued organic growth, the Group will continue to actively explore opportunities for accelerating its scale of operation through merger and acquisition. The Group would also utilise its own research and development capability, to strengthen the development of new products and broaden the application of its existing products.

The Group is fine-tuning its production facilities and is gradually making it a vertically integrated production chain. The Group is going upstream by seeking self-controlled corn refinery to maintain stable raw material supply. While for downstream expansion, the Group strives to achieve capacity growth and product diversification through construction of new plants and/or merger and acquisition. In terms of market strategy, the Group is enlarging its sales platform through the development of retail and overseas markets to enhance overall sales.

Consolidating its position of leading sweetener producer in China, the Group is also striving to enhance its comprehensive competitiveness to pave the way for its development into a major global player.

Kong Zhanpeng
Chairman

Hong Kong, 21 April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the "Company"), its subsidiaries (collectively referred to as the "Group") and each of its jointly-controlled entities are principally engaged in the production and sale of various corn sweeteners which are classified into three categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup ("HFCS")), corn syrup solid (crystallised glucose and maltodextrin) and sugar alcohol (sorbitol).

Business Environment

The fluctuation of the selling prices of the Group's products is affected by the prices of its raw materials, principally corn starch, the demand and supply of each of its products and their respective substitutes in the domestic market and the variety of product specifications.

During the year under review (the "Year"), the price of the Group's principal raw material, corn starch, increased substantially as compared to the previous year. It brought no significant negative impact on our profitability.

Financial Performance

The Group's consolidated revenue for the Year increased by approximately 39.4% to approximately HK$1,595 million (2006: HK$1,144 million) when compared to the previous year, which was mainly due to the growth in overall sales volume and average unit selling price of most of the Group's products. As a result of the increase in sales generated from glucose syrup, maltose syrup and maltodextrin, together with crystallised glucose which was launched in November 2006, the gross profit for the Year increased by 32.9% to approximately HK$335 million (2006: HK$252 million). The Group's net profit for the Year also increased by approximately HK$37 million or approximately 23.6% to approximately HK$194 million (2006: HK$157 million).

Corn syrup

(Sales amount: HK$1,228 million (2006: HK$1,058 million))
(Gross profit: HK$274 million (2006: HK$246 million))

During the Year, the sales volume of glucose syrup decreased by 6.8% while maltose syrup and HFCS increased by approximately 15.3% and 15.4% respectively as compared to year 2006.

At the same time, price of corn starch, the Group's principal raw material, rose substantially by approximately 20.0% due to the increase in corn kernel price as a result of the increase in demand for corn for industrial use. Notwithstanding the increase in raw material costs, the Group was able to pass on the increased costs to its customers by pushing up the products prices of glucose syrup and maltose syrup. Internal consumption of glucose syrup increased to approximately 147,000 metric tonnes ("MT") due to the enhancement of utilisation rate of crystallised glucose production, the sales volume of glucose syrup decreased by 6.8%. In association with the higher product selling prices of glucose syrup and maltose syrup, and the enlarged sales volume of maltose syrup and HFCS, the revenue of glucose syrup, maltose syrup and HFCS grew by approximately 8.7%, 33.0% and 12.4% respectively.

The gross profit margin for the sales of glucose syrup and maltose syrup maintained at a level similar to 2006 while the gross profit margin of HFCS decreased from approximately 34.2% to approximately 17.6% as a result of the drop in selling price. This was due to the fact that HFCS is generally more prone to the substitution effect of cane sugar. The average selling prices of cane sugar in global market as well as in the PRC were relatively low during the Year. This has imposed pressure on the selling price of HFCS.

During the Year, approximately 84,000 MT of glucose syrup and no maltose syrup (2006: 327,000 MT and 1,300 MT) were sold to Global Bio-chem Technology Group Company Limited ("GBT") and its subsidiaries other than members comprising the Group and the Company's jointly-controlled entities ("GBT Group").

Corn syrup solid

(Sales amount: HK$355 million (2006: HK$74 million))
(Gross profit: HK$61 million (2006: HK$6 million))

The revenue of corn syrup solid increased substantially by approximately 379.7% during the Year. The revenue of maltodextrin and crystallised glucose of approximately HK$133 million (2006: HK$52 million) and HK$223 million (2006: HK$21 million) respectively increased by approximately 155.8% and 961.9%, respectively. This was the result of the increase in selling price of maltodextrin of 7.4% and sales volume of maltodextrin and crystallised glucose of 136.5% and 1,057.3% respectively.

The gross profit of corn syrup solid grew substantially by 916.6% which was in line with the enlarged sales volume. With the higher selling price and sales volume, the gross profit of maltodextrin increased by approximately 228.8% to approximately HK$23 million (2006: HK$7 million). During the Year, crystallised glucose recorded a gross profit of approximately HK$38 million (2006: gross loss HK$2 million) with a gross profit margin of 17.1% (2006: -8%).

During the Year, approximately 39,000 MT of crystallised glucose (2006: 0.1 MT) was sold to GBT Group.

Sugar alcohol

(Sales amount: HK$11 million (2006: HK$6 million))
(Gross profit: HK$0.3 million (2006: HK$1 million))

The revenue of sugar alcohol increased by 83.3% to approximately HK$11 million (2006: HK$6 million) while the gross profit decreased by 70.0% to approximately HK$0.3 million (2006: HK$1 million). Since the second half of 2006, price of sorbitol dropped as a result of the unfavourable market condition in the PRC. The Group rationed out the orders among our customers and altered its facilities to produce crystallised glucose instead of sorbitol to minimise loss. Starting from November 2007, the market price of sorbitol rebounded. The Group recommenced the production of sorbitol. As a result, revenue of sorbitol increased from HK$6 million to HK$11 million as sales volume increased to approximately 3,700 MT (2006: 2,600 MT). Since higher production overhead was absorbed for the first ten months of the year, the gross profit margin decreased to 2.7% (2006: 17.1%).

During the year, approximately 5,000 MT of sorbitol (2006: 2,400 MT) were sold to GBT Group.

Operating expenses and income tax

Due to the increase in sales volume and number of headcount of the Group, the operating expenses other than finance costs increased by 32.9%. However, the ratio of such operating expenses to turnover dropped to 5.3% (2006: 5.6%) resulting mainly from the continuous and stringent control over operating costs, the enhancement in operating efficiency as a result of expansion and turnover growth as base of calculation.

Finance costs of the Group increased to approximately HK$24.4 million (2006: HK$13.4 million) for the Year due to larger bank borrowings.

The income tax rate for each of the subsidiaries and jointly-controlled entities remained the same during the Year. However, due to the drop in operating profit of one of the jointly-controlled entities which is still entitled to full exemption from enterprise income tax in accordance with the prevailing income tax arrangement in the PRC and provision of deferred tax of HK$5 million due to change in future corporate tax rate, the overall effective tax rate of the Group increased to approximately 15.4% (2006: 11.3%).

Performance of joint ventures

The Group has two joint venture projects with Cargill Inc. and Mitsui & Co. Ltd. and its subsidiaries (collectively the "Mitsui Group") which are principally engage in the manufacture and sales of HFCS and sorbitol products respectively. During the Year, these joint ventures recorded an operating profit and operating loss of approximately HK$14 million (2006: HK$29 million) and HK$5 million (2006: HK$10 million) respectively. Notwithstanding the weak sugar price during the Year, in view of the strong demand of HFCS and the positive outlook on cane sugar price in 2008, better return from this joint venture is expected. The operating environment of sorbitol segment was challenging in year 2007. However, the rebound of sorbitol product selling price and the flexibility in altering our production flow and schedule, the Group can alter the sorbitol facilities to produce crystallised glucose alternatively. The directors of the Company (the "Directors") are of the view that operating result of sorbitol plant will improve in year 2008.

Increase in net profit attributable to shareholders

As a result of the increase in selling prices of corn sweetener products, enlarged sales volume of various products and stringent control over operating expenses, the net profit attributable to shareholders improved by approximately 23.6% to approximately HK$194 million (2006: HK$157 million).

Important Transaction

Acquisition of minority interests in a joint venture for the production of sorbitol products

On 8 January 2008, the Group entered into a sale and purchase agreement to acquire from the joint venture partners their respective entire interests in a joint venture for the production and sale of sorbitol products at an aggregation cash consideration of US$2,450,000. The completion of the acquisition took place in February 2008 and as a result of the acquisition, the joint venture became a wholly-owned subsidiary of the Company.

The Directors believe that the acquisition will strengthen the operational efficiency and management flexibility over the production planning and human resources deployment of the Group.

Financial Resources and Liquidity

Net borrowing position

On 20 September 2007, the Company's shares were first listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the net proceeds amounted to approximately HK$657 million have improved the Group from net borrowing at approximately of HK$175 million to net cash at approximately of HK$381 million.

Structure of interest bearing borrowings

As at 31 December 2007, the Group's bank borrowings amounted to approximately HK$525 million (31 December 2006: HK$193 million), of which 57% (31 December 2006: 6%) were denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Year remained at the similar level of approximately 6% (2006: 6%) per annum.

The percentage of interest bearing borrowings wholly repayable within one year and in the second to the fifth years were approximately 30% (31 December 2006: 39%) and 70% (31 December 2006: 61%) respectively. The change in repayment pattern mainly resulted from a new long term loan being drawn during the Year.

Turnover days, liquidity ratios and gearing ratios

Credit terms, 90 days, are granted to customers, depending on their credit worthiness and business relationships. As at 31 December 2007, out of the amounts due from fellow subsidiaries, approximately HK$130.6 million represented the trade nature portion (31 December 2006: HK$334.6 million), which was taken into consideration in the calculation of trade receivables turnover days. During the Year, the trade receivables turnover days decreased to approximately 91 days (31 December 2006: 123 days) as a shorter credit term of 60 days has granted to companies under the GBT Group. Meanwhile, the outstanding balances of approximately HK$3 million as at 31 December 2007 arising from the purchase transactions with GBT Group were classified as amounts due to fellow subsidiaries. Such balances were considered as trade payables for the calculation of trade payables turnover days. During the Year, trade payables turnover days were reduced to approximately 37 days (31 December 2006: 88 days) as lower raw material level were maintained, which was in line with the change in inventory turnover days.

The inventory turnover days had shortened from approximately 21 days for the year ended 31 December 2006 to approximately 17 days for the year ended 31 December 2007 owing to more stringent inventory control adopted.

The net proceeds from the Company's initial public offering has improved the current ratio and the quick ratio significantly as at 31 December 2007 to approximately 2.79 (31 December 2006: 0.74) and 2.69 (31 December 2006: 0.66) respectively. Gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net cash/debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity were approximately 24.0% (31 December 2006:16.4%), 41.0% (31 December 2006: 60.9%) and net cash -29.7% (31 December 2006: net debts 48.8%) respectively. The improvement in gearing ratio was mainly due to the strong operating performances together with the fund raised from the initial public offering on 20 September 2007 which enlarged the equity base of the Group. Interest coverage (i.e. EBITDA over finance costs) dropped to approximately 12 times (2006: 16 times) mainly due to the increase in bank borrowings size.

Foreign Exchange Exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2007.

Future Plans and Prospects

It is the Group's mission to become one of the leading corn sweeteners manufacturers in Asia and then a major player in global market. To realise 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 in 2007, the Directors believe 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.

Expansion of production capacity

The Directors intend to establish new production facilities at the existing locations of the production facilities of the Group and other locations in the PRC with an ultimate goal to increase the production capacity of its corn sweeteners. The construction of these new production facilities will be undertaken by new subsidiaries of the Company or joint ventures with third parties.

The Group is currently constructing a new glucose production facility of 200,000 metric tonnes per annum (mtpa) in Jinzhou. Commercial production is expected to commence in the second half of 2008. A new crystallised glucose production facility in Jinzhou with 100,000 mtpa capacity will start its construction in second half of 2008. Production is expected to commence in the first half of 2009. While in Changchun, the construction of phase 2 crystallised glucose production facility has been scheduled to start in the second half of 2008.

The Directors estimate that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of each of the production facilities while the remaining amounts are expected to be settled within one year from the relevant commencement dates. The expansion plans of the Group will be principally financed by the proceeds from the net proceeds from the placing and public offering of the Company's shares and the internal resources of the Group and the Directors are of the view that the existing technology know-how of the Group is sufficient for such expansion. At present, the Directors intend to establish new wholly-owned subsidiaries or new joint ventures with third parties to undertake the construction of new production facilities to be constructed under the expansion plan.

Expansion of sales network

In order to strengthen its leading position in the PRC market and in view of the proposed expansion of production capacity of the Group, the Directors intend to expand the Group's sales and marketing teams in terms of both headcount and coverage. In addition, the Directors plan to establish sales or sales representative offices in certain provinces of the PRC in order to achieve higher efficiency, provide better service to the customers and obtain more information of the local market to assist the management to respond to changes in market conditions. At present, the Company intends to enter into the PRC's consumer market and a sales office has been set up in Shanghai in order to broaden the customer base of the Group.

Use of Proceeds from the Company's Initial Public Offering

Net proceeds of approximately HK$657 million were raised from the initial public offering of the Company's shares in September 2007. As at the date of this report, the Group had utilised a total of approximately HK$122 million of the proceeds for the construction of a new glucose production plant in Jinzhou and a new crystallised glucose production plant in Changchun. The Directors do not intend to change the application of the net proceeds. The remaining proceeds are placed on short term deposits with licensed banks in Hong Kong.

Number and Remuneration of Employees

As at 31 December 2007, the Group has approximately 700 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the 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. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Kong Zhanpeng, aged 44, is the executive Director and Chairman of the Company and is responsible for the Group's overall corporate development and management. Mr. Kong is one of the founders of the parent company, Global-Biochem Technology Group Company Limited in 1994. He has over 12 years of extensive experience in the industry and corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

Mr. Zhang Fusheng, aged 35, an executive Director, is responsible for the sales and marketing of the Group. Mr. Zhang graduated from the Commerce Department of Jilin University, majoring in business administration. He was accredited as one of the Ten Outstanding Youth Entrepreneur by Changchun City in 2004. Mr. Zhang joined the Group in October 2004. Mr. Zhang is the son of Mr. Zhang Fazheng, one of the senior management of our Group.

Ms. Wang Guifeng, aged 57, an executive Director, is responsible for overseeing the finance and accounting functions of the Group's business in the PRC. Ms. Wang graduated from Changchun Vocational University in 1983, majoring in industrial accountancy. She is a member of the Chinese Institute of Certified Public Accountants with over 18 years of experience in accounting and financial resources management. Ms. Wang joined the Group in June 2006.

Ms. Ge Yanping, aged 39, an executive Director, is responsible for production and quality control management of the Group's production plants in Shanghai. Ms. Ge graduated from Teachers' College to Jilin Normal University in 2005, majoring in Chinese literature. Ms. Ge joined the Group in October 1999.

Independent non-executive Directors

Ms. Fung Siu Wan Stella, aged 52, is a managing director of Fook Ming Tong Chinese Medical Centre. Ms. Fung obtained a post-diploma qualification in International Business Management in Seneca College, Toronto in 1991, and became a member of the Hong Kong Securities Institute in 1998. She is an independent non-executive director of Yardway Group Limited and Neo-Neon Holdings Limited, companies which securities are listed on the Main Board of the Stock Exchange. Ms. Fung was appointed as an independent non-executive Director in August 2007.

Mr. Yan Man Sing Frankie, aged 50, is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. Mr. Yan obtained a professional diploma in accountancy from the Hong Kong Polytechnic University in 1983 and has over 10 years of experience in financial management and corporate governance. Mr. Yan was appointed as an independent non-executive Director in August 2007.

Mr. Ho Lic Ki, aged 59, completed the Chinese Senior Bankers Program offered by the University of Washington, Seattle, the US in cooperation with the Bank of China (Hong Kong) in 1991 and obtained a Foundation Diploma in Management from the University of Hong Kong in 1994. Mr. Ho has about 40 years of experience in banking, finance and asset management. Mr. Ho was appointed as an independent non-executive Director in August 2007.

Mr. Gao Yunchun, aged 43, is the vice president of Jilin Petrochemical Design and Research Institute. Mr. Gao graduated from Tianjin University with a bachelor degree in chemical engineering in 1987 and has about 10 years of experience in the field of chemical engineering and corn refinery industry. Mr. Gao was appointed as an independent non-executive Director in August 2007.

Senior management

Mr. Zhang Fazheng, aged 58, is responsible for overseeing the Group's operation management and product development. Mr. Zhang graduated from Jilin Finance and Trade College in 1992, majoring in corporate accounting and he has over 20 years of experience in the management of production plant. Mr. Zhang is the father of Mr. Zhang Fusheng, an executive Directors of the Company. Mr. Zhang joined the Group in 1998.

Ms. Li Xiaoming, aged 50, is responsible for managing the daily operations of Changchun Dihao and Dihao Crystal. Ms. Li graduated from Northeast School of Engineering in 1980, majoring in metallic material. Ms. Li joined the Group in January 1999. She has over 8 years of experience in production.

Mr. Lee Chi Yung, aged 33, is the financial controller and company secretary of the Company. He graduated from the City University of Hong Kong with a bachelor degree (with honors) in accountancy in 1996. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in August 2007. He has over 7 years of experience in accounting and finance.

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devoting considerable effort to identify and formalise best practices.

Code on Corporate Governance Practices

Since the Company's listing on 20 September 2007, the Company has fully complied with all code provision as set out in the Code in Corporate Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 Board

Members' Attendance of Board and Committee Meetings for the year 2007.

	Meetings Attended and Held		
	Board Meeting	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Kong Zhanpeng	5/5		1/1
Zhang Fusheng	4/5		
Wang Guifeng	2/5		
Ge Yanping	2/5		
Independent non-executive Directors			
Fung Siu Wan Stella	2/5	1/1	
Yan Man Sing Frankie	2/5	1/1	1/1
Ho Lic Ki	2/5	1/1	
Gao Yunchun	0/5	0/1	0/1

As of the date of this report, the Board comprises eight Directors, being four executive Directors and four independent non-executive Directors. There is no family relationship between any of the Directors. Details biographies outlining each individual Directors' range of specialist experience and suitability for the successful long-term running of the Group can be found on pages 13 to 14.

The Group believes that its independent non-executive Directors comprise a good mix of financial management, accounting and industry experts. The Board believes that such a group is ideally qualified to advise the management team on future strategic development, finance and other statutory requirements, and to act as guardians of shareholders' interest. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his/her independence. As of the date of this report, the Board considers that all such independent non-executive Directors are in full compliance with the independence guidelines as laid down in the Listing Rules.

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Specific topics discussed at these quarterly Board meetings include: overall strategy; major acquisitions and disposals; annual budgets; interim and annual results; recommendations on Directors' appointment(s) or reappointment(s); matters relating to share capital; approval of major capital projects; dividend policies; and other significant operational and financial matters. All businesses transacted at individual Board meetings are documented in the minutes of each meeting. Some Board decisions are made via written resolutions authorised by all Directors. All Board members have access to the advice and services of the company secretary. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

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

All new Directors, if any, will be briefed by the Company's lawyers about the duties, responsibilities and obligations as a director of a listed company. Newly-appointed Directors are also encouraged to discuss with the chairman any additional information or training they feel may require, to more effectively discharge their duties.

Every member of the Board has or will retire by rotation at the annual general meeting of the Company at least once every three years. Directors who stand down could, if eligible, be subject to re-election at the same annual general meeting.

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

Chairman and Chief Executive Officer

During the Year, the Company did not have any officer with the title "chief executive officer". The duties of a chief executive officer are substantially undertaken by the executive Directors and senior management of the Company. Mr. Kong Zhanpeng is mainly responsible for providing leadership and directions to the Board while other executive Directors and senior management are responsible for overseeing the development and operation of the Group in Mainland China.

Term of Appointment of Non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 1 September 2007 renewable automatically for successive term of two years each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company at any time during the then existing term.

Directors' Remuneration

During the Year, Directors' remuneration is disclosed as follows:

	2007 HK$'000	2006 HK$'000
Fees	**360**	—
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,798**	60
Performance related bonuses	**2,500**	—
Pension scheme contributions	**13**	—
	4,671	60

According to the Directors' service contracts, each of the executive Directors is entitled to a basic salary to an annual increment after 1 January 2008 at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase. In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of the financial year of the Company. For the year ended 31 December 2007, the aggregate amount of the bonuses payable to the executive Directors was equivalent to 1.3% (2006: Nil) of the net profit from ordinary activities attributable to shareholders.

(a) Independent Non-executive Directors

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

	2007 **HK$'000**	2006 HK$'000
Fung Siu Wan Stella	**80**	—
Yan Man Sing Frankie	**120**	—
Ho Lic Ki	**80**	—
Gao Yunchun	**80**	—
	360	—

There were no other emoluments payable to the independent non-executive Directors during the Year (2006: Nil).

(b) Executive Directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007				
Executive Directors:				
Kong Zhanpeng	**920**	**2,500**	**4**	**3,424**
Zhang Fusheng	**600**	**—**	**—**	**600**
Wang Guifeng	**120**	**—**	**—**	**120**
Ge Yanping	**158**	**—**	**9**	**167**
	1,798	**2,500**	**13**	**4,311**
2006				
Executive Directors:				
Kong Zhanpeng	—	—	—	—
Zhang Fusheng	—	—	—	—
Wang Guifeng	—	—	—	—
Ge Yanping	60	—	—	60
	60	—	—	60

The Board will meet at least once every year to review the nomination procedures and the process and criteria adopted by the Board to select and recommend candidates for directorship.

During the meeting, the Board reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, identified individuals suitably qualified to become Board members, assess the continual independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations and consider and recommend the re-election of the retiring Directors.

In selecting a suitable candidate to become a member of the Board, the Board will consider various criteria such as education, qualification, experience and reputation of such candidate.

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. The Audit Committee comprises four independent non-executive Directors. The chairman of the Audit Committee is Mr. Yan Man Sing Frankie. The other members of the Audit Committee are Ms. Fung Siu Wan Stella, 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 Audit Committee held one meeting in 2007.

Internal Control

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing the effectiveness. The role of the Group's management is to implement all Board policies on risk and control.

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

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

In December 2007, the Board has engaged Grant Thornton Certified Public Accountants to conduct a review of the effectiveness of the system of control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee.

Remuneration Committee

The members of the remuneration committee include an executive Director, Mr. Kong Zhanpeng and two independent non-executive Directors, Mr. Yan Man Sing Frankie and Mr. Gao Yunchun. Mr. Kong Zhanpeng is the chairman of the remuneration committee. The duties of the remuneration committee, among others, are 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 by reference to corporate goals and objectives resolved by the Board from time to time.

In 2007, the remuneration committee held one meeting to review and approve the Directors' and senior management's remuneration packages.

Remuneration Policy

The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation with the Group's performance and to evaluate their compensation against corporate goals, so that the interests of the executive Directors are aligned with those of shareholders. No Director is allowed to approve his or her own remuneration.

Continuing Connected Transaction Executive Committee

The CCT Executive Committee comprises two executive Directors, namely Mr. Zhang Fusheng and Ms. Wang Guifeng, responsible for monitoring, review and management of the continuing connected transactions (the "CCT") between the Group and GBT Group. The main duties of the CCT Executive Committee are to prepare daily continuing connected transactions report and submitted to CCT Supervisory Committee on regular basis.

In 2007, the CCT Executive Committee held three meetings.

CCT Supervisory Committee

The CCT Supervisory Committee comprising four independent non-executive Directors is 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 agreements 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. The Board adopted the Prescribed Guidelines in respect of the purchase of corn starch from the GBT Group by the Group, and sales of sorbitol and corn sweeteners by the Group to the GBT Group on 3 September 2007, which include procedures to be taken by the CCT Executive Committee before the Group may enter into the actual purchase orders for the acquisitions of corn starch from the GBT Group, or to accept the sales orders from the GBT Group for the sales of sorbitol and corn sweeteners to the GBT Group (the "Proposed Sale and Purchase");

2) To review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to the execution of the Proposed Sale and Purchase as to whether they have been proceeded with in accordance with the pre-approvals (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 pervious 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; and

4) 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.

A summary of the Prescribed Guidelines adopted by the Board and prevailing during the Year is set out below:

(1) in respect of purchase of corn starch from the GBT Group

    (i) CCT Executive Committee shall summarise the principal commercial terms for the proposed purchase ("Proposed Purchase") as quoted by the GBT Group, including the specifications and quantity of the product required, the unit, purchase price, the payment and other commercial terms;

(ii) CCT Executive Committee shall obtain quotations and other major commercial terms (including credit terms offered) for supply of corn starch of comparable specifications and quantities from such number of independent suppliers to be stipulated by the CCT Supervisory Committee from time to time; and

(iii) in respect of Changchun Dihao Foodstuff Development Co., Ltd. whereby corn starch is to be purchased from the GBT Group in slurry form:

(A) CCT Executive Committee shall obtain quotations and other major commercial terms (including credit terms offered) for supply of corn starch in slurry form of comparable quantities and specifications from a number of independent suppliers to be stipulated by the CCT Supervisory Committee from time to time; and

(B) CCT Executive Committee should conduct a detailed analysis (with supporting evidence):

(a) if the quotations for supply of corn starch in slurry form obtained from those independent suppliers are exclusive of any of transportation, storage and/or insurance cost, such additional cost to be incurred by the Group (whether by itself or through independent third party service providers); and

(b) with reference to the findings from the above, whether the quotation given by the GBT Group in respect of the Proposed Purchase has been determined by reference to the then market price of the corn starch as reduced by such amount of costs saved, and whether such amount of costs saved are not less than the estimated cost to be incurred by the Group (whether by itself or through third parties suppliers/service providers) had the Group obtained the corn starch from independent suppliers.

(2) in respect of sales of corn sweeteners and sorbitol to the GBT Group, before giving a quotation to the GBT Group for the proposed sale ("Proposed Sale") of the Group's products to the GBT Group:

(i) CCT Executive Committee shall obtain market information regarding the prevailing market price of corn sweeteners and sorbitol of comparable specifications and quantities;

(ii) if there is insufficient information on market price available, CCT Executive Committee shall make a detailed analysis of the price and other major commercial terms recently offered by the Group to independent third party purchasers for sales of products for comparable specifications and quantities; and

(iii) where the above market pricing information or the selling price offered to third party purchasers relate to corn sweeteners and sorbitol of different specifications, CCT Executive Committee shall make a detailed analysis as to how the proposed quotation for the Proposed Sale should be determined with reference to the above market pricing information or the selling price offered to third party purchasers to ensure that the proposed selling price of the product with such particular specifications is fair and reasonable and on normal commercial terms;

(3) CCT Executive Committee must make an application ("Application") to the CCT Supervisory Committee containing the above information and confirming that (i) all the above procedures have been complied with, and (ii) the Proposed Purchase or the Proposed Sale will be entered into in accordance with the terms and conditions of the relevant master agreements in respect of the Proposed Sale and Purchase (which, together with the master agreement in respect of the Utility Services, the "Master Agreements"). The CCT Executive Committee may only proceed with the Proposed Sale or the Proposed Purchase after obtaining the approval by the CCT Supervisory Committee. The CCT Executive Committee will need to comply with the above procedures and seek the CCT Supervisory Committee's approval in respect of any proposed change to the terms of the Proposed Sale or the Proposed Purchase again.

There had not been any change to the above Prescribed Guidelines in 2007 since the adoption thereof by the Board.

In 2007, 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 and the Utility Services entered into by the Group with the GBT Group during the Year. Details of findings have been published on 8 November 2007 and 20 March 2008. As reported by the CCT Supervisory Committee, for the period from 3 September 2007 (being the date of the Master Agreements) up to 31 December 2007, (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 rendered during the period had been charged in accordance with the relevant Master Agreement; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

Accountability and Audit

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the accounts on the going concern basis.

The Group has announced its annual and interim results in a timely manner within the limits of 4 months and 3 months respectively after the end of the relevant period, as laid down in the Listing Rules.

Auditors' Remuneration

For the year ended 31 December 2007, HK$1,096,000 was paid as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of HK$373,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Group located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group.

	HK$'000
Taxation compliance	—
Others	670
Total	670

Communication with Shareholders

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

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors.

Details of the poll voting procedures and the rights of shareholders to demand a poll were included in the circular to shareholders despatched together with the annual report. The circular also included relevant details of proposed resolutions.

Based on the information that is publicly available to the Group and within the knowledge of the Directors, the Group has maintain the prescribed amount of public float from date of listing and up to the date of this annual report as required by the Listing Rules.

Directors' and Auditors' Acknowledgement

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2007.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2007.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), incorporating its share of each jointly-controlled entity for the year ended 31 December 2007.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands on 13 June 2006 as an exempted company with limited liability. Pursuant to a reorganisation scheme to rationalise the corporate structure of the Group in preparation for the listing of the Company's shares on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company, directly or indirectly, acquired the entire interests of the companies now comprising the Group on 24 August 2007. Further details of the corporate reorganisation are set out in the Company's prospectus (the "Prospectus") dated 10 September 2007.

The Company's shares have been listed on the Stock Exchange since 20 September 2007.

Principal Activities

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of corn sweeteners. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 100.

No dividend was recommended by the Board in respect of the year ended 31 December 2007.

Use of Proceeds from the Company's Initial Public Offering

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in September 2007, after deduction of related expenses, amounted to approximately HK$657,099,000. These proceeds were partly applied during the year ended 31 December 2007 in accordance with the proposed applications set out in the prospectus, as follows:

— approximately US$13 million (equivalent to HK$101 million) was used for the construction of a new production facility in Changchun; and

— approximately US$2.8 million (equivalent to HK$21 million) was used for the construction of a new production facilities in Jinzhou.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the year ended 31 December 2007 and the published combined financial information of the Group for the four years ended 31 December 2003, 2004, 2005 and 2006, as extracted from the audited financial statements and the Prospectus, is set out on page 101. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Share Options Scheme

The Company operates a share option scheme ("Scheme"), which was adopted pursuant to a resolution in writing passed by the then sole shareholder on 3 September 2007, for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group.

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme and any other share option scheme of the Group is 100,000,000, representing 9.57% of the issued share capital of the Company as at the date of this report.

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting (with such participant and his associates abstaining from voting).

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to Shareholders' approval in a general meeting.

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

During the year, no share option was granted pursuant to the share option scheme and no share option was outstanding as at 31 December 2007.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$546,060,000. As the Company has been listed in September 2007, no dividend had been proposed for the year ended 31 December 2007. Under the Companies Law, the share premium account of the Company of approximately HK$574,473,000 as at 31 December 2007 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 50% of the total sales for the year and sales to the largest customer included therein accounted for 20% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 84% of the total purchases for the year, and purchases from the largest supplier included therein accounted for 75% of the total purchases of the year.

Except for Global Bio-chem Technology Group Company Limited and its subsidiaries (the "GBT Group") and Mr. Kong Zhanpeng (the director of the Company), no directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Directors

The directors of the Company during the year were:

Executive directors:
Kong Zhanpeng
Zhang Fusheng
Wang Guifeng
Ge Yanping

Independent non-executive directors:
Fung Siu Wan Stella
Yan Man Sing Frankie
Ho Lic Ki
Gao Yunchun

In accordance with article 112 of the Company's articles of association, the office of all the Directors, namely Mr. Kong Zhanpeng, Ms. Wang Guifeng, Mr. Zhang Fusheng, Ms. Ge Yanping, all being executive Directors, and Ms. Fung Siu Wan Stella, Mr. Yan Man Sing Frankie, Mr. Ho Lic Ki and Mr. Gao Yunchun all being independent non-executive Directors, will end at the annual general meeting. Save for Ms. Fung Siu Wan Stella, all the Directors, being eligible, will offer themselves for re-election at the annual general meeting, while Ms. Fung Siu Wan Stella will not offer herself for re-election.

The Company has received annual confirmations of independence from Ms. Fung Siu Wan Stella, Messrs. Yan Man Sing Frankie, Ho Lic Ki and Gao Yunchun, and as at the date of this report still considers them to be independent.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 14 of the annual report.

Directors' service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years which commenced on 1 September 2007 and is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive Directors were appointed by the Company for a term of two years which commenced on 1 September 2007 and is subject to termination by either party giving not less than three months' written notice.

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

Directors' remuneration

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

Directors' interests in contracts

Save as disclosed elsewhere in the annual report, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Management contracts

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

Directors' Interests and Short Positions in Shares and Underling Shares

The shares of the Company commenced dealings on 20 September 2007. As of the date of this report, the interests and share 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 which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to the 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/ name of associated corporation**	**Capacity/Nature of interest**	**Number and class of securities held** *(Note 1)*	**Percentage of the relevant class of issued share capital of the Company/ associated corporation**
Kong Zhanpeng	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	13,040,000 ordinary shares of HK$0.10 each (L)	0.56%
	GBT	Interest of a controlled corporation	172,800,000 ordinary shares of HK$0.10 each (L) *(Note)*	7.45%

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

Saved as disclosed above, as at the date of this report, none of the Directors and the chief executive of the Company has any interest 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) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Directors' Right to Acquire Share or Debentures

Apart from as disclosed under the paragraph headed "Directors Interest and Short Positions in Shares and Underlying Shares" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or to 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 Person's Interest in Shares and Underling Shares

The shares of the Company commenced dealings on the Stock Exchange on 20 September 2007. As of the date of this report, so far as is known to the Directors, the following persons (other than the Directors) had an interest or short position in the shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or 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 shares capital**
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	700,000,000 shares of HK$0.10 each (L)	67%
Global Bio-chem Technology Group Company Limited ("GBT")	Interest of a controlled corporation *(Note 2)*	700,000,000 shares of HK$0.10 each (L)	67%

Notes:

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

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

Saved as disclosed above, no person, other than the Directors and chief executive of the Company has, as of the date of this report, registered an interest or short position in the shares or underlying shares of the Company that is required to be disclosed pursuant to Section 336 of the SFO.

Continuing connected transactions

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Sales to and purchase from the GBT Group

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

Supply of sorbitol

Pursuant to the sorbitol master purchase agreement dated 7 May 2007, GBT Group has been sourcing sorbitol from Changchun Dacheng Nikken Polyols Co., Ltd. ("CDNP") a company wholly-owned by Global Nikken (H.K.) Company Limited ("Global Nikken (Hong Kong)") as one of the principal production materials for production of its polyol products. During the Year, sales of sorbitol by CDNP to the GBT Group amounted to HK$7 million. Global-Nikken (Hong Kong) was an indirectly jointly-controlled entity of the Company, which was owned as to 51% by the Company and 49% by the Mitsui Group during the Year.

Sourcing of utility services

Pursuant to the two utilities master supply agreement dated 3 September 2007, GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Global Sweeteners Group's production plants at Changchun. During the Year, amounts payable by the Group and CDNP in respective of provisions of these utility services by the GBT Group amounted to HK$ 67 million.

Purchase of corn starch

Pursuant to the corn starch master purchase agreement date 3 September 2007, the Group has been sourcing corn starch either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. During the Year, purchase of corn starch from the GBT Group by the Group (excluding Global Bio-chem-Cargill (Holdings) Limited and GBT-Cargill High Fructose (Shanghai) Co., Ltd.) amounted to HK$853 million.

Supply of corn sweeteners

Pursuant to the corn sweeteners master sales agreement dated 3 September 2007, the GBT Group has been sourcing corn sweeteners from the Group as one of the principal production materials for the production of its amino acid and polyol products. During the Year, sales of corn sweeteners by the Group to the GBT Group amounted to HK$207 million.

The GBT Group holds in aggregate 67% interest in the share capital of the Company. The above transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

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

Other than the aforementioned continuing connected transactions, the related party transactions disclosed in note 30 to the financial statements are either exempted connected continuing transactions or non-exempt continuing connected transaction which have complied with the requirement of Chapter 14A of the listing rules.

Sufficiency of Public Float

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

Directors' Interests in a Competing Business

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

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "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 Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

Auditors

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

ON BEHALF OF THE BOARD

Kong Zhanpeng
Chairman

Hong Kong, 21 April 2008

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

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

We have audited the financial statements of Global Sweeteners Holdings Limited set out on pages 41 to 100, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

21 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	4	**1,595,054**	1,144,141
Cost of sales		**(1,260,400)**	(892,564)
Gross profit		**334,654**	251,577
Other income and gains	4	**20,783**	5,588
Selling and distribution costs		**(47,607)**	(48,251)
Administrative expenses		**(36,500)**	(15,039)
Other expenses		**(17,953)**	(3,760)
Finance costs	6	**(24,356)**	(13,426)
PROFIT BEFORE TAX	5	**229,021**	176,689
Tax	9	**(35,355)**	(19,956)
PROFIT FOR THE YEAR		**193,666**	156,733
Attributable to:			
Equity holders of the parent	10	**193,666**	156,733
Minority interests		**—**	—
		193,666	156,733
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted		**HK$0.185**	HK$0.150

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**568,394**	496,592
Prepaid land premiums	14	**28,711**	23,985
Deposits paid for acquisition of property, plant and equipment and land premiums		**2,151**	1,178
Goodwill	15	**149,950**	149,950
Long term loan to a jointly-controlled entity	17	**40,000**	40,000
Total non-current assets		**789,206**	711,705
CURRENT ASSETS			
Inventories	18	**51,282**	69,046
Trade receivables	19	**225,237**	98,106
Prepayments, deposits and other receivables	20	**34,285**	21,929
Due from jointly-controlled entities	17	**26,141**	14,272
Due from the immediate holding company	32	**21,085**	21,085
Due from fellow subsidiaries	32	**130,634**	351,396
Cash and cash equivalents	21	**905,599**	43,153
Total current assets		**1,394,263**	618,987
CURRENT LIABILITIES			
Trade payables	22	**35,968**	19,377
Other payables and accruals	23	**56,462**	56,130
Interest-bearing bank and other borrowings	24	**156,250**	100,100
Due to fellow subsidiaries	32	**3,432**	193,720
Due to a related company	32	**55**	575
Due to the ultimate holding company	32	**54,284**	270,935
Due to jointly-controlled entities	17	**4,179**	2,510
Due to the immediate holding company	32	**180,338**	180,360
Tax payable		**8,564**	8,029
Total current liabilities		**499,532**	831,736
NET CURRENT ASSETS/(LIABILITIES)		**894,731**	(212,749)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,683,937**	498,956

continued/...

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**368,750**	117,647
Due to a venturer of a jointly-controlled entity	17	**20,000**	20,000
Deferred tax liabilities	25	**14,719**	3,857
Total non-current liabilities		**403,469**	141,504
Net assets		**1,280,468**	357,452
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	26	**104,500**	—
Reserves	27(a)	**1,175,968**	357,452
Proposed final dividend	12	**—**	—
		1,280,468	357,452
Minority interests		**—**	—
Total equity		**1,280,468**	357,452

Kong Zhanpeng
Director

Zhang Fusheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to equity holders of the parent						
	Issued share capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2006	—	—	3,750	14,743	7,575	161,964	188,032
Exchange realignment	—	—	—	—	12,687	—	12,687
Total income and expenses directly recognised in equity	—	—	—	—	12,687	—	12,687
Profit for the year	—	—	—	—	—	156,733	156,733
Transfer from retained profits	—	—	—	17,515	—	(17,515)	—
At 31 December 2006	—	—	3,750*	32,258*	20,262*	301,182*	357,452
At 1 January 2007	**—**	**—**	**3,750**	**32,258**	**20,262**	**301,182**	**357,452**
Revaluation surplus, net of deferred tax charge of HK$3,252,500 (notes 13 and 25)	**—**	**—**	**8,502**	**—**	**—**	**—**	**8,502**
Exchange realignment	**—**	**—**	**—**	**1,683**	**40,192**	**—**	**41,875**
Total income directly recognised in equity	**—**	**—**	**8,502**	**1,683**	**40,192**	**—**	**50,377**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**193,666**	**193,666**
Share subscription and placement	**104,500**	**574,473**	**—**	**—**	**—**	**—**	**678,973**
Transfer from retained profits	**—**	**—**	**—**	**22,902**	**—**	**(22,902)**	**—**
At 31 December 2007	**104,500**	**574,473***	**12,252***	**56,843***	**60,454***	**471,946***	**1,280,468**

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

* *These reserve accounts comprise the consolidated reserves of the Group of HK$1,175,968,000 on the consolidated balance sheet at 31 December 2007 (2006: HK$357,452,000).*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**229,021**	176,689
Adjustments for:			
Finance costs	6	**24,356**	13,426
Bank interest income	4	**(9,490)**	(846)
(Gain)/loss on disposal of items of property, plant and equipment	4 & 5	**(72)**	664
Depreciation	5	**36,395**	27,641
Amortisation of prepaid land premiums	5	**1,038**	832
Expensed listing expenditures		**21,874**	—
Impairment of trade receivables	5	**—**	1,207
Write down of inventories to net realisable value	5	**(6,190)**	2,167
		296,932	221,780
Decrease/(increase) in inventories		**23,954**	(36,752)
Increase in trade receivables		**(127,131)**	(30,589)
Increase in prepayments, deposits and other receivables		**(12,339)**	(13,787)
Increase in trade payables		**16,591**	808
Increase/(decrease) in other payables and accruals		**332**	(558)
Decrease/(increase) in amounts due from fellow subsidiaries		**203,996**	(71,669)
Increase in amounts due from jointly-controlled entities		**(9,228)**	(7,979)
Increase/(decrease) in amounts due to fellow subsidiaries		**(148,566)**	8,930
Increase/(decrease) in amounts due to jointly-controlled entities		**1,246**	(1,086)
Increase/(decrease) in an amount due to a related company		**(520)**	26
Cash generated from operations		**245,267**	69,124
Interest received		**9,490**	846
Overseas taxes paid		**(27,227)**	(4,627)
Net cash inflow from operating activities		**227,530**	65,343
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(72,076)**	(71,818)
Proceeds from disposal of items of property, plant and equipment		**1,687**	1,496

CONSOLIDATED
CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash outflow from investing activities		**(70,389)**	(70,322)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from initial public offering		**657,099**	—
New bank loans		**545,833**	72,516
Repayment of bank loans		**(213,510)**	(50,981)
Repayment of other loans		**(24,779)**	—
Interest paid		**(24,356)**	(13,426)
Decrease/(increase) in amounts due from fellow subsidiaries		**16,766**	(16,750)
Increase in amounts due from jointly-controlled entities		**(2,641)**	—
Decrease in an amount due to the immediate holding company		**(22)**	—
Increase/(decrease) in an amount due to the ultimate holding company		**(216,651)**	2,023
Increase in amounts due to jointly-controlled entities		**423**	—
Decrease in amounts due to fellow subsidiaries		**(41,722)**	(15,060)
Net cash inflow/(outflow) from financing activities		**696,440**	(21,678)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**853,581**	(26,657)
Cash and cash equivalents at beginning of year		**43,153**	66,146
Effect of foreign exchange rate changes, net		**8,865**	3,664
CASH AND CASH EQUIVALENTS AT END OF YEAR		**905,599**	43,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**905,599**	43,153

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**513,163**	491,695
Total non-current assets		**513,163**	491,695
CURRENT ASSETS			
Due from the immediate holding company	32	**126,054**	—
Due from subsidiaries	32	**279,611**	—
Prepayments, deposits and other receivables	20	**1,613**	—
Cash and cash equivalents	21	**527,470**	—
Total current assets		**934,748**	—
CURRENT LIABILITIES			
Other payables and accruals	23	**5,656**	—
NET CURRENT ASSETS		**929,092**	—
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,442,255**	491,695
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	24	**300,000**	—
Net assets		**1,142,255**	491,695
EQUITY			
Issued capital	26	**104,500**	—
Reserves	27(b)	**1,037,755**	491,695
Proposed final dividend	12	**—**	—
Total equity		**1,142,255**	491,695

Kong Zhanpeng
Director

Zhang Fusheng
Director

1. Corporate Information

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn based sweetener products. There were no changes in the nature of the Group's principal activities during the year.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 24 August 2007. Further details of the Reorganisation are set out in the Prospectus issued by the Company dated 10 September 2007 (the "Prospectus"). The shares of the Company were listed on the Stock Exchange on 20 September 2007.

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.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies adopted in the preparation of these financial statements are the same as those disclosed in the Prospectus. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain property, plant and equipment at fair value as further explained below. These financial statements are presented in Hong Kong dollars ("HK$").

The financial information has been prepared using the principle of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Reorganisation had been completed as at the beginning of the years presented because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and all companies now comprising the Group are ultimately controlled by the ultimate holding company before and after the Reorganisation.

2.1 Basis of Preparation (continued)

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2007 and the comparative amounts for the year ended 31 December 2006 have been prepared as if the current group structure had been in existence throughout the year presented.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries (collectively referred to as the "Group") and its share of each jointly-controlled entity for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKFRS 2 Amendment	Share — Based Payment — Vesting Conditions and Cancellations[1]
HKFRS 8	Operating Segments[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

2.2 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Group has not entered into share-based payment schemes with nonvesting conditions attached, the amendment is not expected to have any financial impact on the Group.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revisions to HKFRS 3 and HKAS 27 will be applied by the Group prospectively as required under the revised standards and will affect future acquisitions and transactions of the Group with minority interests.

2.2 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

2.3 Summary of Significant Accounting Policies

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.3 Summary of Significant Accounting Policies (continued)

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.3 Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.3 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

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

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

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

Leasehold buildings	2%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Operating leases

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.3 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.3 Summary of Significant Accounting Policies (continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.3 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

2.3 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in the retirement benefits schemes (the "PRC RB Schemes") operated by the respective local municipal government in provinces of Mainland China that the group companies operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to the consolidated income statements as they become payable in accordance with the rules of the PRC RB Schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

2.3 Summary of Significant Accounting Policies (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Estimates

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

Estimation uncertainty

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

Estimation of fair value of leasehold buildings

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$149,950,000 (2006: HK$149,950,000). More details are given in note 15 to the financial statements.

4. Revenue, Other Income and Gains

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue		
Sale of goods	**1,595,054**	1,144,141
Other income and gains		
Bank interest income	**9,490**	846
Net profit arising from sale of packing materials and by-products	**9,201**	4,339
Gain on disposal of items of property, plant and equipment	**72**	—
Others	**2,020**	403
	20,783	5,588

5. Profit Before Tax

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

		Group	
	Notes	**2007 HK$'000**	2006 HK$'000
Cost of inventories sold		**1,117,696**	774,227
Depreciation	13	**36,395**	27,641
Amortisation of prepaid land premiums	14	**1,038**	832
Auditor's remuneration		**1,374**	185
Employee's benefits expenses, including direct labour costs as recorded in the cost of sales:			
Wages and salaries		**17,922**	11,811
Pension scheme contributions		**1,645**	2,064
		19,567	13,875
Foreign exchange differences, net		**(299)**	(1,034)
Impairment of trade receivables		**—**	1,207
Write-down/(write-back) of inventories to net realisable value		**(6,190)**	2,167
Loss/(gain) on disposal of items of property, plant and equipment		**(72)**	664

6. Finance Costs

	Group	
	2007 HK$'000	2006 HK$'000
Interest on bank loans wholly repayable within five years	**24,328**	13,426
Finance costs for discounting notes receivable	**28**	—
	24,356	13,426

7. Directors' Remuneration

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

		Group	
	Notes	**2007 HK$'000**	2006 HK$'000
Fees	(a)	**360**	—
Other emoluments:	(b)		
Salaries, allowances and benefits in kind		**1,798**	60
Performance related bonuses		**2,500**	—
Pension scheme contributions		**13**	—
		4,311	60
		4,671	60

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, is entitled to a management bonus. In addition, executive directors with special contributions to the Group may be entitled to special bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2007, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 1.3% (2006: nil) of the net profit from ordinary activities attributable to shareholders.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 HK$'000	2006 HK$'000
Ms. Fung Siu Wan Stella	**80**	—
Mr. Yan Man Sing Frankie	**120**	—
Mr. Ho Lic Ki	**80**	—
Mr. Gao Yunchun	**80**	—
	360	—

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

7. Directors' Remuneration (continued)

(b) Executive directors

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007				
Executive directors:				
Mr. Kong Zhanpeng	**920**	**2,500**	**4**	**3,424**
Ms. Wang Guifeng	**600**	**—**	**—**	**600**
Mr. Zhang Fusheng	**120**	**—**	**—**	**120**
Ms. Ge Yanping	**158**	**—**	**9**	**167**
	1,798	**2,500**	**13**	**4,311**
2006				
Executive directors:				
Mr. Kong Zhanpeng	—	—	—	—
Mr. Wang Guifeng	—	—	—	—
Mr. Zhang Fusheng	—	—	—	—
Mr. Ge Yanping	60	—	—	60
	60	—	—	60

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. Five Highest Paid Employees

The five highest paid employees during the year included two (2006: one) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2006: four) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,040**	538
Pension scheme contributions	**19**	36
	1,059	574

The remuneration of the non-director, highest paid employees fell within the following band:

	Group	
	2007	2006
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**3**	4

9. Tax

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	HK$'000
Current — Hong Kong	**—**	—
Current — Elsewhere	**27,745**	19,055
Deferred (note 25)	**7,610**	901
Total tax charge for the year	**35,355**	19,956

9. Tax (continued)

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

Group — 2007

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	**(39,008)**		**268,029**		**229,021**	
Tax at the statutory rate	**(6,826)**	**17.5**	**88,450**	**33.0**	**81,624**	**35.6**
Preferential tax rate offered	**—**	**—**	**(43,292)**	**(16.2)**	**(43,292)**	**(18.9)**
Lower tax rate for tax relief granted	**—**	**—**	**(18,086)**	**(6.7)**	**(18,086)**	**(7.9)**
Unrecognised tax losses	**3,923**	**(10.1)**	**1,532**	**0.6**	**5,455**	**2.4**
Effect on opening deferred tax liabilities due to changes in tax rates	**—**	**—**	**5,175**	**1.9**	**5,175**	**2.3**
Others	**2,903**	**(7.4)**	**1,576**	**0.6**	**4,479**	**1.9**
Tax charge at the Group's effective rate	**—**	**—**	**35,355**	**13.2**	**35,355**	**15.4**

Group — 2006

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(4,961)		181,650		176,689	
Tax at the statutory rate	(868)	17.5	59,945	33.0	59,077	33.4
Preferential tax rate offered	—	—	(33,787)	(18.6)	(33,787)	(19.1)
Lower tax rate for tax relief granted	—	—	(11,989)	(6.6)	(11,989)	(6.8)
Unrecognised tax losses	868	(17.5)	4,359	2.4	5,227	3
Others			1,428	0.8	1,428	0.8
Tax charge at the Group's effective rate	—	—	19,956	11	19,956	11.3

9. Tax (continued)

All of the Group's subsidiaries and jointly-controlled entities operating in Mainland China are exempt from PRC corporate income tax for two years starting from the first profitable year of their operations and are entitled to 50% relief from the PRC income tax for the following three years.

10. Profit Attributable to Equity Holders of the Parent

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a loss of HK$28,413,000 (2006: Nil) has been dealt with in the financial statements of the Company (note 27(b)).

11. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to ordinary equity holders of the Company of approximately HK$193,666,000 and on the assumption that the 1,045,000,000 ordinary shares had been in issue throughout the year.

The earnings per share amount for the year ended 31 December 2006 was calculated based on the combined net profit from the ordinary activities attributable to shareholders of the Company of approximately HK$156,733,000 and the 1,045,000,000 shares which were in issue immediately following the Share Offer and the Capitalisation Issue and the fully exercise of the Over-allotment Option, as if the shares had been outstanding throughout the year ended 31 December 2006.

Since there were no dilutive potential ordinary shares as at 31 December 2007 (2006: Nil), the diluted earnings per share amount was equal to the basic earnings per share amount for the year ended 31 December 2007 (2006: the same).

12. Dividends

Pursuant to the board of directors' meeting held on 21 April 2008, no dividend was declared for the year ended 31 December 2007.

13. Property, Plant and Equipment

Group

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007					
At 31 December 2006 and at 1 January 2007:					
Cost or valuation	158,843	357,909	7,425	52,141	576,318
Accumulated depreciation	(15,808)	(60,075)	(3,843)	—	(79,726)
Net carrying amount	143,035	297,834	3,582	52,141	496,592
At 1 January 2007, net of accumulated depreciation	143,035	297,834	3,582	52,141	496,592
Additions	760	9,744	3,403	53,340	67,247
Surplus on revaluation	11,755	—	—	—	11,755
Disposals	—	(27)	(324)	(1,264)	(1,615)
Depreciation provided during the year	(5,098)	(29,397)	(1,900)	—	(36,395)
Transfers	8,055	70,437	763	(79,255)	—
Exchange realignment	8,684	18,640	228	3,258	30,810
At 31 December 2007, net of accumulated depreciation	167,191	367,231	5,752	28,220	568,394
At 31 December 2007:					
Cost or valuation	188,097	456,703	10,771	28,220	683,791
Accumulated depreciation	(20,906)	(89,472)	(5,019)	—	(115,397)
Net carrying amount	167,191	367,231	5,752	28,220	568,394
Analysis of cost or valuation:					
At cost	—	456,703	10,771	28,220	495,694
At 31 December 2007 valuation	188,097	—	—	—	188,097
	188,097	456,703	10,771	28,220	683,791

13. Property, Plant and Equipment (continued)

Group

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2006					
At 31 December 2005 and at 1 January 2006:					
Cost or valuation	150,018	323,582	6,898	4,981	485,479
Accumulated depreciation	(11,109)	(38,041)	(2,935)	—	(52,085)
Net carrying amount	138,909	285,541	3,963	4,981	433,394
At 1 January 2006, net of accumulated depreciation	138,909	285,541	3,963	4,981	433,394
Additions	137	9,210	1,981	73,254	84,582
Disposals	—	(568)	(1,532)	(60)	(2,160)
Depreciation provided during the year	(4,699)	(22,034)	(908)	—	(27,641)
Transfers	6,046	20,086	—	(26,132)	—
Exchange realignment	2,642	5,599	78	98	8,417
At 31 December 2006, net of accumulated depreciation	143,035	297,834	3,582	52,141	496,592
At 31 December 2006:					
Cost or valuation	158,843	357,909	7,425	52,141	576,318
Accumulated depreciation	(15,808)	(60,075)	(3,843)	—	(79,726)
Net carrying amount	143,035	297,834	3,582	52,141	496,592
Analysis of cost or valuation:					
At cost	8,825	357,909	7,425	52,141	426,300
At 31 December 2005 valuation	150,018	—	—	—	150,018
	158,843	357,909	7,425	52,141	576,318

13. Property, Plant and Equipment (continued)

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

At 31 December 2007, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately HK$167,191,000. A surplus on revaluation of approximately HK$11,755,000 arising from the 2007 valuation had been credited to the asset revaluation reserve during the year ended 31 December 2007.

At 31 December 2006, the Group's leasehold buildings were stated at the 2005 valuation conducted by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, less accumulated depreciation provided since the 2005 valuation. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2006, therefore no revaluation has been performed as at that date.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$151,251,000 (2006: HK$138,850,000).

14. Prepaid Land Premiums

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**24,817**	25,043
Additions	**4,062**	—
Amortised during the year (note 5)	**(1,038)**	(832)
Exchange realignment	**1,908**	606
Carrying amount at 31 December	**29,749**	24,817
Current portion included in prepayments, deposits and other receivables	**(1,038)**	(832)
Non-current portion	**28,711**	23,985

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

15. Goodwill

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January and 31 December		
Cost	**149,950**	149,950
Accumulated impairment	**—**	—
Net carrying amount	**149,950**	149,950

Impairment testing of goodwill

The Group's goodwill related to Changchun Dihao Food Development Co., Ltd. (the "Changchun Dihao") which was acquired by the Group during the years ended 31 December 2004 and 2005. The recoverable amount of Changchun Dihao has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 7.1% (2006: 7.0%). No growth has been projected beyond the five year period.

Key assumptions were used in the value in use calculation of cash-generating unit for 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local market from where raw materials are sourced. The values assigned to key assumptions are consistent with external information sources.

16. Investments In Subsidiaries

	Company 2007 HK$'000	Company 2006 HK$'000
Unlisted shares	**513,163**	491,695

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

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners Investments Limited ("Global Sweeteners")	British Virgin Islands	US$100	100	Investment holding
Global Sweeteners (China) Limited ("GS (China)")	British Virgin Islands	US$2	100	Investment holding
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000	100	General administration
Jinzhou Dacheng Food Development Co., Ltd.*	The People's Republic of China (the "PRC")/ Mainland China	US$2,770,000 (2006:Nil)	100	Manufacture and sale of corn based sweetener products
Indirectly held:				
Datex Investment Limited	Hong Kong	HK$2	100	Investment holding
Eternal Win Investments Limited	British Virgin Islands	US$2	100	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd.* ("Changchun Dihao")	PRC/Mainland China	RMB81,000,000	100	Manufacture and sale of corn based sweetener products

16. Investments in Subsidiaries (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Shanghai Hao Cheng Food Development Co., Ltd.* ("Hao Cheng")	PRC/Mainland China	US$2,668,000	100	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd* (Dihao Crystal)	PRC/Mainland China	US$16,200,000	100	Manufacture and sale of crystallised sugar

* Wholly-foreign-owned enterprises

17. Due from/to Jointly-controlled Entities and due to a Venturer of a Jointly-controlled Entity

	Group	
	2007	2006
	HK$'000	HK$'000
Long term loan to a jointly-controlled entity	**40,000**	40,000
Short term balance due from jointly-controlled entities	**26,141**	14,272
Short term balance due to jointly-controlled entities	**4,179**	2,510
Due to a venturer of a jointly-controlled entity	**20,000**	20,000

The long term loan advanced to a jointly-controlled entity is unsecured, interest-free and repayable in 2101 or upon the liquidation, winding-up or dissolution of this jointly-controlled entity, whenever is earlier. The loan to a jointly-controlled entity represented a quasi-equity loan which is stated at cost less impairment.

17. Due from/to Jointly-controlled Entities and due to a Venturer of a Jointly-controlled Entity (continued)

The short term balances due from/to jointly-controlled entities are unsecured, interest-free and repayable within one year. About HK$23,425,000 and HK$14,197,000 of balance due from jointly-controlled entities arose from trading activities at 31 December 2007 and 31 December 2006 respectively. About HK$1,290,000 and HK$44,000 of balance due to jointly-controlled entities arose from trading activities at 31 December 2007 and 31 December 2006 respectively.

Since the Group has no legal right to offset the long term loan advanced to a jointly-controlled entity against the venturer's share of liability of that jointly-controlled entity, the balances have not been eliminated.

Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Indirectly held:				
Global Bio-chem-Cargill (Holdings) Limited	Hong Kong	50	50	Investment holding
Global-Nikken (H.K.) Company Limited ("Global-Nikken (Hong Kong)")	Hong Kong	51	50	Investment holding
Changchun Dacheng Nikken Polyols Co., Ltd.* ("CDNP")	PRC/Mainland China	51	50	Manufacture and sale of sorbitol products
GBT-Cargill High Fructose (Shanghai) Co., Ltd.*	PRC/Mainland China	50	50	Manufacture and sale of high fructose corn syrup

* Wholly-foreign-owned enterprises

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

17. Due from/to Jointly-controlled Entities and due to a Venturer of a Jointly-controlled Entity (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities, which has been proportionately consolidated:

	Group	
	2007	2006
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**71,717**	65,895
Non-current assets	**70,246**	68,897
Current liabilities	**(53,336)**	(60,099)
Non-current liabilities	**—**	(6,941)
Net assets	**88,627**	67,752
Share of the jointly-controlled entities' results:		
Revenue	**173,846**	142,883
Other income	**2,175**	1,696
	176,021	144,579
Total expenses	**(167,264)**	(125,877)
Tax	**—**	—
Profit after tax	**8,757**	18,702

18. Inventories

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**30,594**	41,987
Work in progress	**1,143**	1,467
Finished goods	**19,545**	25,592
	51,282	69,046

19. Trade Receivables

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**226,822**	103,001
Impairment	**(1,585)**	(4,895)
	225,237	98,106

The Group normally allows credit terms of 90 days to established customers. 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 exist where the Group has material exposures to trade receivables from one customer located in Mainland China which accounted for 32% of the total trade receivables as at 31 December 2007.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 1 month	**132,134**	52,615
1 to 2 months	**57,969**	27,528
2 to 3 months	**20,542**	11,054
Over 3 months	**14,592**	6,909
	225,237	98,106

19. Trade Receivables (continued)

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

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**4,895**	3,518
Impairment losses recognised	**—**	1,207
Amount written off as uncollectible	**(3,616)**	—
Exchange realignment	**306**	170
	1,585	4,895

Included in the above provision for impairment of trade receivables is a fully provision for individually impaired trade receivables of HK$1,585,000 (2006: HK$4,895,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables is expected to be unrecovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**210,645**	91,197
Less than 1 month past due	**8,970**	5,372
1 to 3 months past due	**5,622**	1,537
	225,237	98,106

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 a 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.

20. Prepayments, Deposits and Other Receivables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**17,225**	5,501	**—**	—
Deposits and other receivables	**5,550**	3,838	**1,613**	
PRC value-added-tax ("VAT") receivables and other tax receivable	**10,472**	11,758	**—**	—
Current portion of prepaid land premium	**1,038**	832	**—**	—
	34,285	21,929	**1,613**	—

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

21. Cash and Cash Equivalents

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**905,599**	43,153	**527,470**	—

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$361,344,000 (2006: HK$32,317,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. Trade Payables

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

An aged analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 1 month	**27,452**	11,020
1 to 2 months	**3,221**	1,915
2 to 3 months	**735**	1,496
Over 3 months	**4,560**	4,946
	35,968	19,377

23. Other Payables and Accruals

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Payables for purchases of machinery	**8,568**	13,501	**—**	—
Customer deposits/receipts in advance	**18,835**	20,764	**—**	—
VAT and other duties payable	**17,552**	11,946	**—**	—
Accrued welfare and others	**11,507**	9,919	**5,656**	—
	56,462	56,130	**5,656**	—

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

24. Interest-bearing Bank and Other Borrowings

Group

	2007 Effective interest rate per annum (%)	2007 Maturity	2007 HK$'000	2006 Effective interest rate per annum (%)	2006 Maturity	2006 HK$'000
Current						
Bank loans — unsecured	**5.814–6.435**	**2008**	**156,250**	5.558–6.336	2007	75,321
Other loans — unsecured	**—**		**—**	—	2007	24,779
			156,250			100,100
Non-current						
Bank loans — unsecured	**6.30–6.75 and HIBOR**	**2009–2010**	**368,750**	6.435	2008	117,647
			525,000			217,747

Company

	2007 Effective interest rate per annum (%)	2007 Maturity	2007 HK$'000	2006 Effective interest rate per annum (%)	2006 Maturity	2006 HK$'000
Non-current						
Bank loans — unsecured	**HIBOR**	**2009**	**300,000**	—	—	—
			300,000			—

24. Interest-bearing Bank and Other Borrowings (continued)

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**156,250**	75,321	**—**	—
In the second year	**316,667**	117,647	**300,000**	—
In the third to fifth years, inclusive	**52,083**	—	**—**	—
	525,000	192,968	**300,000**	—
Other borrowings repayable:				
Within one year or on demand	**—**	24,779	**—**	—
	525,000	217,747	**300,000**	—

The Group's other loan was advanced by a third party, which is interest-free and repayable within one year.

The carrying amounts of bank and other loans approximated to their fair values.

The Group's bank loans as at 31 December 2006 were guaranteed by the certain fellow subsidiaries with maximum limits of HK$171,539,000. Such guarantees have been released upon the listing of the Company's shares on the Stock Exchange.

25. Deferred Tax Liabilities

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

Group

	Depreciation allowance in excess of related depreciation HK$'000	**Revaluation of leasehold buildings** HK$'000	**Total** HK$'000
At 1 January 2006	2,224	732	2,956
Deferred tax charged to:			
— consolidated income statement during the year (note 9)	901	—	901
At 31 December 2006 and 1 January 2007	3,125	732	3,857
Deferred tax charged to:			
— consolidated income statement during the year (note 9)	7,610	—	7,610
— asset revaluation reserve	—	3,252	3,252
At 31 December 2007	10,735	3,984	14,719

The Group had accumulated tax losses arising in Hong Kong of approximately HK$4,419,974 (2006: HK$496,951) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in the PRC of approximately HK$29,987,877 (2006: HK$17,158,810) which would expire from the year ending 31 December 2010 to the year ending 31 December 2012. In the opinion of the directors, deferred tax assets have not been recognised as the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March, 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved and has become effective on 1 January 2008. The New CIT Law establishes a unified 25% tax rate for both domestic enterprises and foreign invested enterprises. According to the Implementation Rules of the Grandfathering Relief under the New CIT Law, Guofa (2007) No. 39 by the State Council, the reduced tax rate of 15% under the old laws will gradually be increased to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Before 2007, deferred tax liabilities were recognised based on the applicable income tax rate of the respective companies. In 2007, according to the New CIT Law, the Group recognised deferred tax liabilities based on the applicable income tax rate when the taxable temporary differences are expected to be reversed which was 25%.

25. Deferred Tax Liabilities (continued)

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

26. Issued Capital

The following changes in the Company's authorised and issued share capital took place during the period from 13 June 2006 (date of incorporation) to 31 December 2007:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** HK$'000
Authorised			
Upon incorporation (1,000,000 shares of HK$0.1 each)	(i)	1,000,000	100
As at 31 December 2006		1,000,000	100
Increase in authorised capital	(ii)	1,000,000	100
Increase in authorised capital	(iii)	99,998,000,000	9,999,800
As at 31 December 2007		100,000,000,000	10,000,000
Issued and fully paid			
Shares issued upon incorporation (1,000,000 shares of HK$0.1 each)	(i)	1,000,000	—
As at 31 December 2006		1,000,000	—
Paid up capital	(i)	—	100
Issue of new shares	(ii)	1,000,000	100
Capitalisation issued upon listing	(iii)	698,000,000	69,800
Shares issued under placing and public offering	(iv)	300,000,000	30,000
Issue of Over-allotment Shares	(v)	45,000,000	4,500
As at 31 December 2007		1,045,000,000	104,500

26. Issued Capital (continued)

Notes:

(i) The ordinary shares were issued at par nil paid upon incorporation of the Company. The ordinary shares were paid up on 24 August 2007.

(ii) The authorised share capital of the Company was increased from HK$100,000 to HK$200,000 by the creation of 1,000,000 new shares pursuant to the shareholders' resolution passed on 24 August 2007. According to the agreement dated 24 August 2007 made between Global Corn Bio-chem as vendor and the Company as purchaser for the acquisition by the Company of the entire issued share capital of each of Global Sweeteners and GS (China) in consideration of 1) the allotment and issue, credited as fully paid, of 1 million new shares to Global Corn Bio-chem; and 2) the crediting as fully paid at par the 1 million nil-paid shares then held by Global Corn Bio-chem.

(iii) Pursuant to the shareholders' resolution passed on 3 September 2007, the authorised share capital of the Company has been conditionally increased from HK$200,000 to HK$10,000,000,000 by creation of 99,998 million ordinary shares of HK$0.1 each. The directors were authorised to allot and issue a total of 698 million shares by way of the capitalisation of a sum of HK$69.8 million standing to the credit of the share capital and the debit of the share premium account of the Company ("Capitalisation Issue").

(iv) The Share Offer ("Share Offer") comprises the public offer and the placing. On 20 September 2007, 300 million ordinary shares of HK$0.1 each were issued and offered at a price of HK$2.04 each under the public offer and the placing, resulting in aggregate proceeds of HK$612 million. The par value of the shares issued amounting to HK$30 million was credited to the Company's share capital. The remaining proceeds of approximately HK$582 million, after deducting share issuing expenses of HK$25 million, were credited to the share premium account.

(v) On 12 October 2007, an additional 45,000,000 ordinary shares of HK$0.1 each were issued and offered at a price of HK$2.04 each for subscription upon the exercise of the Over-allotment Option (detailed in the Prospectus). The proceeds of HK$4.5 million representing the par value of the shares issued were credited to the Company's share capital. The remaining proceeds of approximately HK$87.3 million were credited to the share premium account.

27. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 44 of the financial statements.

27. Reserves (continued)

(b) Company

	Contributed surplus HK$'000	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
	Note			
At 1 January 2006, 31 December 2006 and 1 January 2007	491,695		—	491,695
Issue of shares	—	599,300	—	599,300
Share issuing expenses	—	(24,827)	—	(24,827)
Net loss for the year	—	—	(28,413)	(28,413)
At 31 December 2007	491,695	574,473	(28,413)	1,037,755

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

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

28. Contingent Liabilities

The Group did not have any significant contingent liabilities at the balance sheet date.

The Company provided guarantees for banking facilities granted to certain subsidiaries. These subsidiaries utilised the banking facilities to the extent of about HK$225,000,000 as at 31 December 2007.

29. Commitments

At 31 December 2007, the Group had capital commitments as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for:		
Land premiums and leasehold buildings	**—**	33,563
Plant and machinery	**3,521**	13,779
	3,521	47,342

The Company did not have any significant commitments as at 31 December 2007.

30. Related Party Transactions

(i) Transactions with related parties

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

	Notes	**2007**	2006
		HK$'000	HK$'000
Purchases from fellow subsidiaries			
— corn starch slurry	(a)	**944,435**	794,722
Purchases from jointly-controlled entities			
— corn sweeteners	(a)	**3,033**	3,559
— others	(a)	**13,143**	—
Sales to fellow subsidiaries			
— corn sweeteners	(b)	**216,432**	456,798
— sorbitol	(b)	**6,694**	2,924
Sales to a jointly-controlled entity			
— corn sweeteners	(b)	**31,782**	30,112
Utility cost charged to a jointly controlled entity	(c)	**4,382**	4,247
Utility cost charged by a fellow subsidiary	(c)	**67,889**	56,137
Sales commission paid to a related company	(d)	**1,567**	3,043

30. Related Party Transactions (continued)

(i) Transactions with related parties (continued)

Notes:

(a) *The Group sourced corn starch slurry from fellow subsidiaries and sourced corn sweetener products and a by-product from jointly-controlled entities. These purchases were made at prices based on the mutual agreement between the parties.*

(b) *The Group sold corn sweetener products and sorbitol to fellow subsidiaries and a jointly-controlled entity. These sales were made at prices mutually agreed between the parties.*

(c) *The Group used the utility facilities provided by a fellow subsidiary and a jointly-controlled entity that used the utility facilities provided by the Group. A reimbursement of such utility costs was paid to the fellow subsidiary and the Group based on the actual costs incurred.*

(d) *The commission was paid to the joint venture partner of a jointly-controlled entity of the Group who acted as a sales agent on behalf of that jointly-controlled entity. According to the agreement among these parties, the commission paid to this related company was calculated based on a rate of 5% on the successful sales amounts, which include the cost of goods sold by the joint venture partner of a jointly-controlled entity and its related selling expenses incurred.*

(ii) Other transactions with related parties

During the year, the Group acquired a piece of land from a fellow subsidiary amounting to HK$4,062,000 which was based on independent valuation performed by Savills Valuation and Professional Services Limited.

(iii) Balances with related parties:

(a) *Balances with group companies*

The balances with the ultimate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with these group companies approximate to their fair values at each of the balance sheet date. About HK$130,634,000 and HK$334,630,000 of balance due from fellow subsidiaries arose from trading activities at 31 December 2007 and 31 December 2006 respectively. About HK$3,432,000 and HK$151,998,000 of balance due to fellow subsidiaries arose from trading activities at 31 December 2007 and 31 December 2006 respectively.

30. Related Party Transactions (continued)

(iii) Balances with related parties: (continued)

(a) *Balances with group companies (continued)*

The following table sets out the aging analysis of such trade nature portion of amounts due from fellow subsidiaries as at 31 December 2007 and 31 December 2006 respectively.

	Group	
	2007 **HK$'000**	2006 HK$'000
Trade nature		
Amounts due from fellow subsidiaries		
Within 3 months	**86,994**	186,256
Over 3 months but less than 6 months	**41,408**	111,754
Over 6 months but less than 1 year	**2,083**	3,940
Over 1 year	**149**	32,680
Total	**130,634**	334,630

The following table sets out the aging analysis of such trade nature portion of amounts due to fellow subsidiaries as at 31 December 2007 and 31 December 2006 respectively.

	Group	
	2007 **HK$'000**	2006 HK$'000
Trade nature		
Amounts due to fellow subsidiaries		
Within 3 months	**3,432**	111,569
Over 3 months but less than 6 months	**—**	11,813
Over 6 months but less than 1 year	**—**	26,375
Over 1 year	**—**	2,241
Total	**3,432**	151,998

(b) *Balance with a related company*

This balance is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance approximated to its fair value at each of the balance sheet date.

30. Related Party Transactions (continued)

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

	2007 **HK$'000**	**2006** HK$'000
Short term employee benefits	**4,163**	1,324
Post-employment benefits	**234**	168
Total compensation paid to key management personnel	**4,397**	1,492

31. Segment Information

Over 90% of the Group's operation relates to the manufacture and sale of corn based sweetener products and over 90% of the Group's products were sold to customers based in Mainland China. Accordingly, no segment information has been disclosed.

32. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	Group	
Financial assets	**2007** **Loans and receivables** **HK$'000**	2006 Loans and receivables HK$'000
Long term loan to a jointly-controlled entity (note 17)	**40,000**	40,000
Trade receivables	**225,237**	98,106
Financial assets included in repayments, deposits and other receivables	**5,550**	3,838
Due from jointly-controlled entities (note 17)	**26,141**	14,272
Due from the immediate holding company	**21,085**	21,085
Due from fellow subsidiaries	**130,634**	351,396
Cash and cash equivalents	**905,599**	43,153
	1,354,246	571,850

32. Financial Instruments by Category (continued)

Financial liabilities	Group 2007 Financial liabilities at amortised cost HK$'000	Group 2006 Financial liabilities at amortised cost HK$'000
Long term loan to a jointly-controlled entity (note 17)	**20,000**	20,000
Trade payables	**35,968**	19,377
Financial liabilities included in other payables and accruals	**27,874**	38,381
Interest-bearing bank and other borrowings	**525,000**	217,747
Due to fellow subsidiaries	**3,432**	193,720
Due to a related company	**55**	575
Due to the ultimate holding company	**54,284**	270,935
Due to jointly-controlled entities (note 17)	**4,179**	2,510
Due to the immediate holding company	**180,338**	180,360
	851,130	943,605

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets	Company 2007 Loans and receivables RMB'000	Company 2006 Loans and receivables RMB'000
Financial assets included in repayments, deposits and other receivables	**1,613**	—
Due from the immediate holding company	**126,054**	—
Due from subsidiaries	**279,611**	—
Cash and cash equivalents	**527,470**	—
	934,748	—

32. Financial Instruments by Category (continued)

	Company	
Financial liabilities	**2007 Financial liabilities at amortised cost RMB'000**	2006 Financial liabilities at amortised cost RMB'000
Interest-bearing bank borrowings	**300,000**	—

33. Financial Risk Management Objectives and Policies

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

Financial assets of the Company include cash and cash equivalents, prepayments, deposits and other receivables, amounts due from fellow subsidiaries and amounts due from immediate holding company. Financial liabilities of the Company include other payables and accruals and interest-bearing bank and other borrowings.

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

Interest rate risk

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

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

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

33. Financial Risk Management Objectives and Policies (continued)

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

	Group			Company	
	Increase/ (decrease) in basic points %	**Increase/ (decrease) in profits before tax HK$'000**	**Increase/ (decrease) in equity HK$'000**	**Increase/ (decrease) in basic points %**	**Increase/ (decrease) in equity/ profits before tax HK$'000**
2007					
Hong Kong dollar	**1**	**(1,531)**	**(1,476)**	**1**	**(978)**
Hong Kong dollar	**(1)**	**1,531**	**1,476**	**(1)**	**978**
2006					
Hong Kong dollar	1	(1,617)	(1,455)	1	—
Hong Kong dollar	(1)	1,617	1,455	(1)	—

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 19 and 20 to the financial statements.

33. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

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

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Year ended 31 December 2007 — The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 Years HK$'000	>5 years HK$'000	Total HK$'000
Interests in jointly-controlled entities	—	—	—	—	20,000	20,000
Trade payables	35,968	—	—	—	—	35,968
Other payables	27,874	—	—	—	—	27,874
Interest-bearing bank and other borrowings	156,250	—	—	368,750	—	525,000
Due to fellow subsidiaries	3,432	—	—	—	—	3,432
Due to a related company	55	—	—	—	—	55
Due to the ultimate holding company	54,284	—	—	—	—	54,284
Due to jointly-controlled entities	4,179	—	—	—	—	4,179
Due to the immediate holding company	180,338	—	—	—	—	180,338
	462,380	—	—	368,750	20,000	851,130

33. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Year ended 31 December 2006 — The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	>5 years HK$'000	Total HK$'000
Interests in jointly-controlled entities	—	—	—	—	20,000	20,000
Trade payables	19,377	—	—	—	—	19,377
Other payables	38,381	—	—	—	—	38,381
Interest-bearing bank and other borrowings	100,100	—	—	117,647	—	217,747
Due to fellow subsidiaries	193,720	—	—	—	—	193,720
Due to a related company	575	—	—	—	—	575
Due to the ultimate holding company	270,935	—	—	—	—	270,935
Due to jointly-controlled entities	2,510	—	—	—	—	2,510
Due to the immediate holding company	180,360	—	—	—	—	180,360
	805,958	—	—	117,647	20,000	943,605

Year ended 31 December 2007 — The Company

	On demand HK$'000	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**> 5 years HK$'000**	**Total HK$'000**
Other payables	**4,640**	**—**	**—**	**—**	**—**	**4,640**
Interest-bearing bank borrowings	**—**	**—**	**—**	**300,000**	**—**	**300,000**
	4,640	**—**	**—**	**300,000**	**—**	**304,640**

33. Financial Risk Management Objectives and Policies (continued)

Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio no excess of 50%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents and excludes discontinued operations. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

	Group		**Company**
	31 December 2007 HK$'000	31 December 2006 HK$'000	**31 December 2007 HK$'000**
Interest bearing bank and other borrowings	**525,000**	217,747	**300,000**
Less: Cash and cash equivalents	**(905,599)**	(43,153)	**(525,470)**
Net debt	**(380,599)**	174,594	**(227,470)**
Equity	**1,280,468**	357,452	**1,142,255**
Gearing ratio	**—**	49%	**—**

34. Post Balance Sheet Events

On 8 January 2008, Global Sweeteners (China) Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Mitsui & Co., Ltd., Mitsui & Co., (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd, the minority shareholders of Global-Nikken (H.K.) Company Limited ("Global-Nikken (Hong Kong)") to acquire the remaining 49% equity interests in Global-Nikken (Hong Kong) at a total cash consideration of US$2,450,000 (equivalent to approximately HK$19.1 million) (the "Acquisition"). After the completion of the Acquisition on 18 February 2008, Global-Nikken (Hong Kong) became a wholly-owned subsidiary of the Company.

On 18 February 2008, the Group has settled the total consideration and accounted for the acquisition of investment of subsidiary at the consideration of US$2,450,000 (equivalent to HK$19,127,150).

35. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 April 2008.

FIVE YEAR FINANCIAL SUMMARY

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2007 have been prepared as if the current group structure had been in existence throughout the year. The combined financial information of the Group for the four years ended 31 December 2003, 2004, 2005 and 2006 have been presented on the principle of merger accounting such that the Company was treated as the holding company of its subsidiaries for the year presented rather than from the subsequent date of its acquisition of the subsidiaries on 24 August 2007.

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and the Prospectus of the Company, is set out below.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Consolidated	Combined	Combined	Combined	Combined
RESULTS					
REVENUE	**1,595,054**	1,144,141	824,972	265,016	112,884
Cost of sales	**(1,260,400)**	(892,564)	(645,037)	(210,089)	(79,287)
Gross profit	**334,654**	251,577	179,935	54,927	33,597
Other income and gains	**20,783**	5,588	2,178	2,345	2,560
Selling and distribution costs	**(47,607)**	(48,251)	(50,092)	(20,403)	(7,513)
Administrative expenses	**(36,500)**	(15,039)	(10,659)	(6,668)	(4,858)
Other expenses	**(17,953)**	(3,760)	(8,510)	(2,952)	—
Finance costs	**(24,356)**	(13,426)	(5,688)	(892)	(65)
PROFIT BEFORE TAX	**229,021**	176,689	107,164	26,357	23,721
Tax	**(35,355)**	(19,956)	(11,498)	(3,146)	(3,963)
PROFIT FOR THE YEAR	**193,666**	156,733	95,666	23,211	19,758
Attributable to:					
Equity holders of the Company	**193,666**	156,733	80,663	18,455	19,758
Minority interests	**—**	—	15,003	4,756	—
	193,666	156,733	95,666	23,211	19,758
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**2,183,469**	1,330,692	1,121,388	784,021	232,254
TOTAL LIABILITIES	**(903,001)**	(973,240)	(933,356)	(651,371)	(154,368)
MINORITY INTERESTS	**—**	—	—	(36,309)	—
	1,280,468	357,452	188,032	96,341	77,886

CORPORATE INFORMATION

Board of Directors

Executive Directors

Kong Zhanpeng *(Chairman)*
Zhang Fusheng
Wang Guifeng
Ge Yanping

Independent non-executive Directors

Fung Siu Wan Stella
Yan Man Sing Frankie
Ho Lic Ki
Gao Yunchun

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
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Legal Advisors

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Principal Banker

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.global-sweeteners.com

Stock Code:

3889

Key Dates

Closure of register of members:
21 May 2008 to
22 May 2008 (both days inclusive)

Annual general meeting:
22 May 2008