GLOBAL Sweeteners

大成糖業控股有限公司

GLOBAL Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

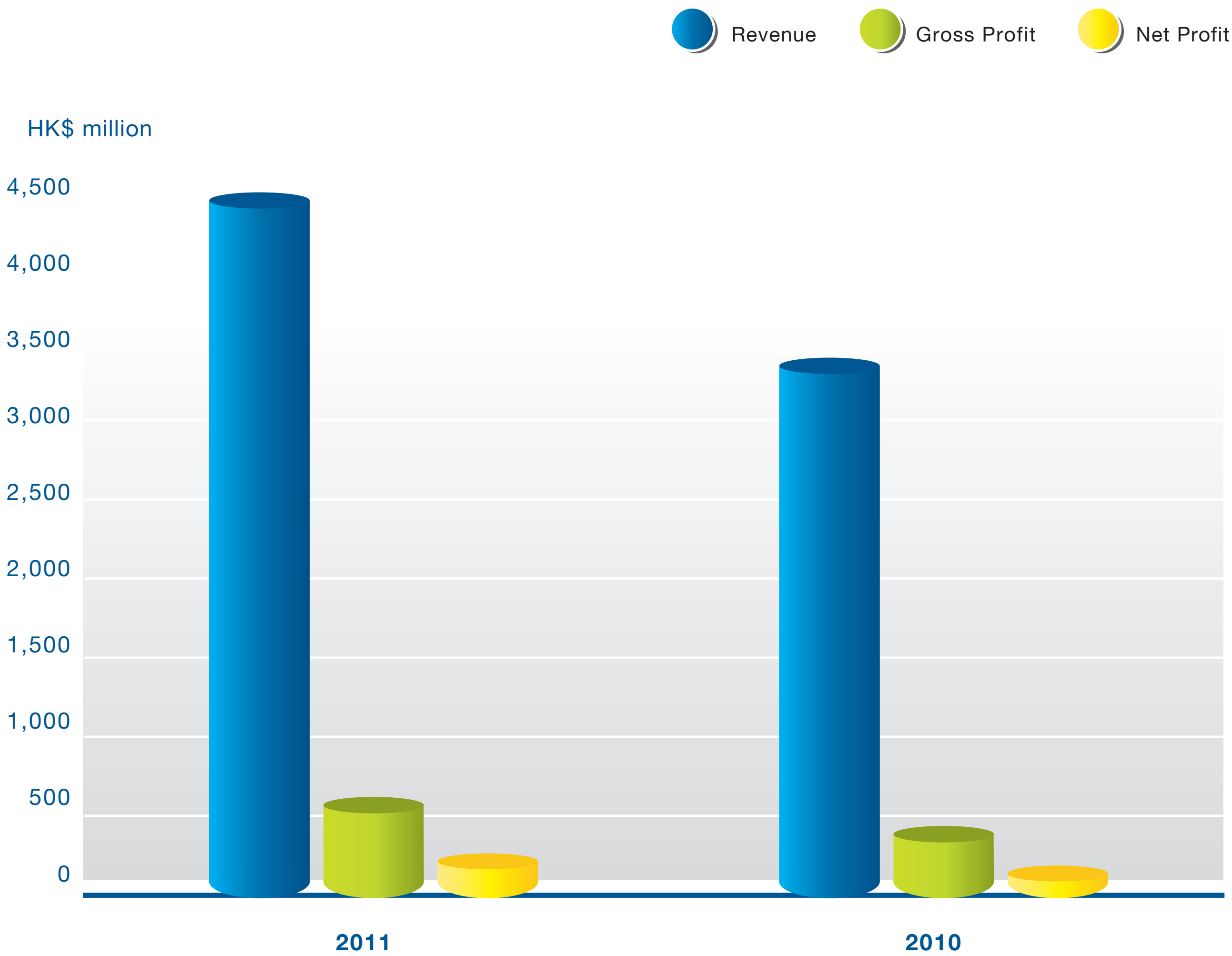
Stock Code: 03889 HK
913889 TW

ANNUAL REPORT 2011

CONTENTS

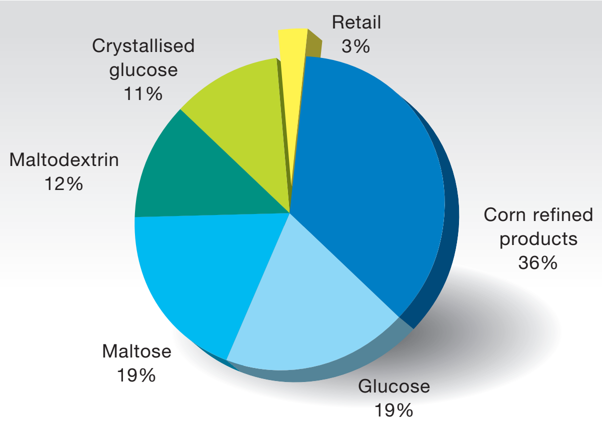
FINANCIAL HIGHLIGHTS

(HK$ million)	2011	2010	Change %
Revenue	**4,414**	3,356	31.5
Gross Profit	**557**	378	47.4
Profit before tax	**187**	125	50.0
Net profit from ordinary activities attributable to owners of the parent	**144**	89	61.2
Basic earnings per share (HK cents)	**12.0**	7.9	51.9
Proposed final dividend per share (HK cents)	**—**	—	N/A

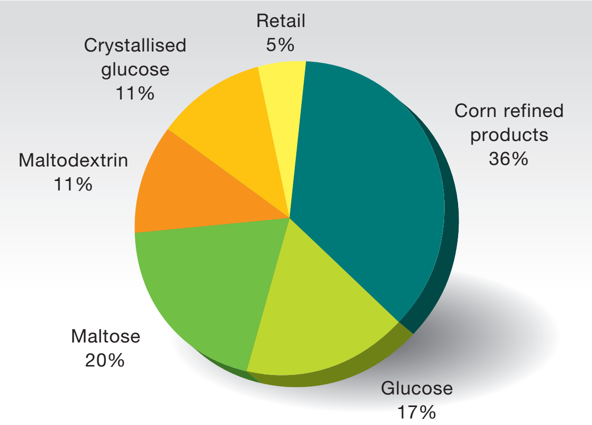


REVENUE AND SALES ANALYSIS

REVENUE

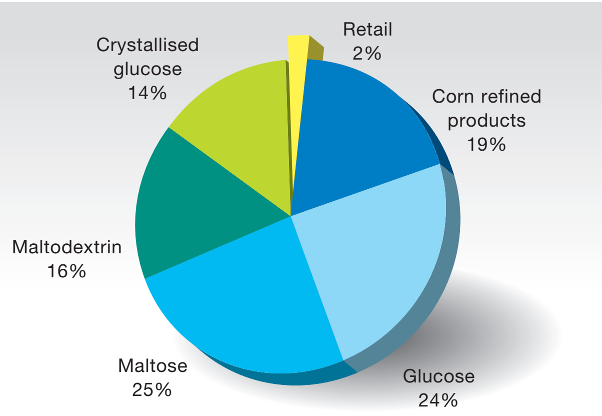


2011



2010

GROSS PROFIT



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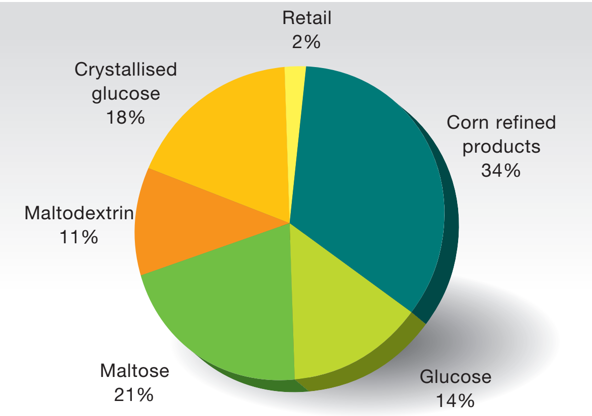
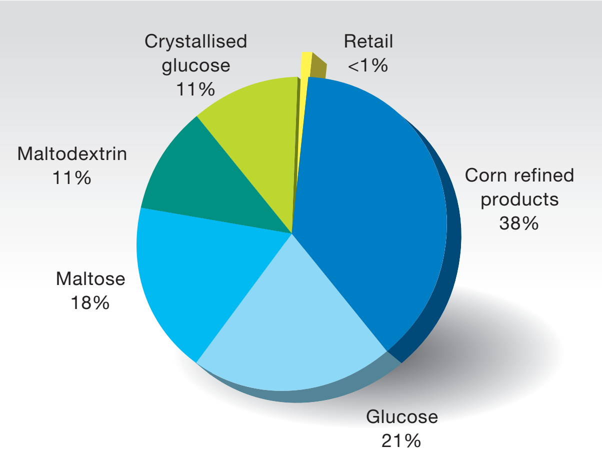
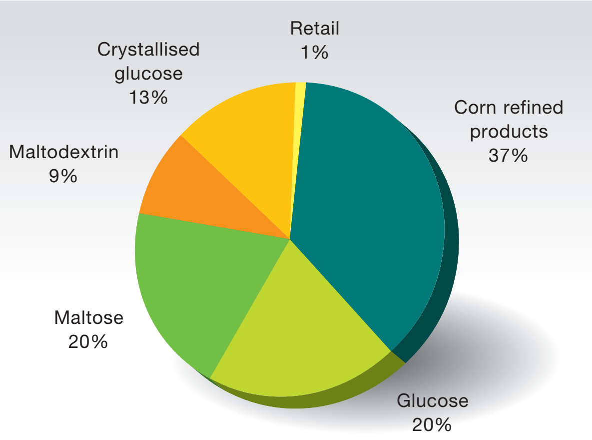


2010

SALES VOLUME



2011



2010

To the Shareholders:

I am pleased to present the annual results of Global Sweeteners Holdings Limited for the year ended 31 December 2011.

2011 was a year marked with global economic turmoil and commodity price fluctuations. Looking back at the first three quarters last year, corn price and cane sugar price in the PRC continued to escalate to their respective record-highs. Taking cane sugar as an example, the unfavourable climate condition in the previous year had lowered the cane sugar output. In addition, oil price remained at high level during the year, which in return stimulated the demand for sugar as an alternative energy source. Consequently, sugar price continued to stay high between RMB6,800 and RMB8,000 during the first three quarters last year. Moving into the fourth quarter, however, sugar price dropped from its peak to RMB6,500 in response to changes in demand and supply. On the other hand, corn price continued to stay high with the government launching a series of agriculture supportive policies. However, as prices of upstream products turned sluggish upon diminished market demand starting from the fourth quarter, the Group's upstream business was under pressure. Notwithstanding the impact of increased costs and decreased sales volume for the upstream business in the fourth quarter, the outstanding performance in the first three quarters has brought about a growth in the Group's revenue for the entire year.

Global Sweeteners attained satisfactory operating results in 2011. Apart from significant increments in the average selling prices of its products, the sales volume for the year increased as driven by new additional production capacity. Complemented by the procurement policy which effectively controlled the cost of corn, the Group achieved increases in both the sales revenue and gross profit of 32% and 47% to HK$4,414 million and HK$577 million for the year ended 31 December 2011, respectively, whereas the gross profit margin showed an increase of two percentage points to 13%. Driven by the enhanced gross profit margin and operating efficiency, the profit attributable to the owners of the Company increased by 61% from the same period last year to HK$144 million for the year ended 31 December 2011.

BUSINESS REVIEW

During the year under review, the demand for corn kernels, the Group's principal raw material, continued to grow. This has supported the corn price to stay strong and the Group recorded a year-on-year increase of 15% in its average corn purchasing price. Targeted at controlling the procurement costs for corn kernel and to ensure abundant supply, apart from the past practice of stocking up corn kernels during the corn harvest season each year when the supply is ample and the price is low, the Group has extended corn procurement to the rural areas and set up silos at the corn originations during the year to purchase corn directly from farmers at a lower price. It has to effectively controlled the corn procurement costs through leveraging on the price differences in different regions. In 2011, the Group has purchased approximately 10,000 metric tonnes of corn directly from farmers, and it is expected that direct purchase from farmers will amount to 150,000 metric tonnes during the corn purchasing season in 2011/2012, accounting for approximately 10% of the total corn procurement of the Group. This is expected to significantly lower the corn procurement costs of the Group.

In respect of the downstream business, the domestic food market continued to bloom and grow, supporting the prices of food additives such as cane sugar to stay strong during the year. As the substitutes for cane sugar, the demand for and the average selling prices of sweeteners increased as a result. In view of this, the Group fully capitalised on its advantages of production scale and distribution network to further enhance its sales volume. During the period under review, the Group recorded a sales volume of 812,000 metric tonnes of sweetener products in total and an increase in the average selling price of its downstream sweetener products of 30% compared to year 2010.

Affected by the turbulent external economic environment and the PRC Government's attempt to curb rapid inflation, the Consumer Price Index (CPI) gradually retreated from of its height at 6.4% in July 2011 to 4.1% in December, reflecting a steady cool down of the growth in the domestic consumption market. As a result, the Group's products (in particular the upstream corn refined products) recorded a decrease in both the sales volume and prices in the fourth quarter. Nevertheless, the outstanding performance in the first three quarters has brought about a growth in the Group's revenue for the entire year.

During the year, the Group has expanded its production capacity through acquisition and construction of new production facilities, as well as expansion of its existing production facilities. In November 2011, it has completed the acquisition of a corn refinery, Changchun Jincheng Corn Development Co., Ltd., from its parent company. This acquisition has enabled the Group to further integrate its production chain, doubling Global Sweeteners' corn processing capacity to 1,200,000 metric tonnes per annum, and ensure a stable raw material supply of corn starch. This in turn will enhance our flexibility in adjusting the downstream production in response to market changes and achieve operation efficiency.

On the other hand, to cater for market changes and demand, the Group has completed the construction of a new high fructose corn syrup 55 (HFCS 55) production line with an annual production capacity of 100,000 metric tonnes in Shanghai. The production line has commenced trial production at the end of 2011, and is expected to commence commercial production in the second quarter of 2012. Target customers of HFCS 55 are major beverage manufacturers. With wider applications, HFCS 55 offers similar sweetness level as sugar at a more attractive price. It is highly popular amongst beverage and food processers. It is anticipated that the increasing popularity of HFCS 55 will make it easier for the Group to promote this product.

Regarding the retail business, since the commencement of the Group's beef retail business in 2009, it has maintained a steady growth. Through timely adjustment to the product structure and sales channels, it has successfully explored the market for the Group's retail sales and launched our beef products directly to supermarket chains, restaurants and high-end hotels. In view of the increasingly stringent control and growing concerns over food safety in the PRC, the Group will adjust its operating strategies. Instead of aiming at mass production, the Group now shifts the focus to launch high value-added and high quality products. The Group believe that the State's increasing emphasis on food safety offers an opportunity to restructure the market and eliminate substandard manufacturers, which is beneficial to the future development of the Group's retail business. Apart from the existing products, the Group is actively looking at the feasibility of launching other food-related products.

OUTLOOK

It is expected that the global economic uncertainty and signs of slowdown in the domestic consumer market will continue to curtail consumer spending. In addition, procurement incentive among food processors has stayed low as a result of the credit tightening in China since the second half of 2011. It is expected that the overall business of the Group will face more challenges during the first half of 2012. Nonetheless, given the general market perception of a sustainable growth in China's CPI, it is believed that the operating environment will gradually improve in the second half of the year. At present, considering the sweetener market in China is still in its high growth development stage, with the consumption of sugar and sweeteners per capita less than half of the world consumption per capita, it reflects a substantial room for growth for the demand of sweeteners. As sweetener products are necessities for people's daily living, the Group believes that the sweeteners industry will be least affected by the fluctuations in economic environment.

Driven by increasing demand from different industries and the agriculture supportive policies from the government, corn price started to hike since the fourth quarter last year, and it is expected that the corn price for the year will further increase from last year's level. The Group will continue to utilise its various silos at different corn originations and increase direct corn purchase from farmers, and at the same time, flexibly adjust its corn inventory according to market trends. Through the implementation of this, the Group seeks to maintain the profitability of its products through effective cost control.

Apart from the acquisition of an upstream corn refinery from the parent company last year, the Group has also expanded its upstream corn processing capacity to secure a stable supply of raw material. The additional corn processing capacity of 300,000 metric tonnes in Jinzhou commenced construction in the middle of last year and is expected to complete by the end of the second quarter this year. By then, the Group's corn processing capacity will be increased to 1,500,000 metric tonnes per annum.

MESSAGE TO SHAREHOLDERS

In view of numerous uncertainties in the overall economy and the operating environment, the Group will adopt a scrupulous approach in scheduling the expansion plans for the Group's downstream production in Jinzhou according to the Group's assessment on the economic environment and market demand, to ensure more efficient allocation of its resources and enhanced responsiveness to market changes. Looking toward the uncertain market conditions, the Group will maintain ample capital to secure a stable supply of raw materials, flexibly allocate its funds to cope with market changes for a steady and healthy development of the Group.

With our management's expertise in the market and proactive operating philosophy, the Group has been in leading position in the PRC corn sweeteners market. Looking ahead, the Group will continue to leverage on its production scale with additional production capacity and strive for diversified product portfolio and development of high value-added products.

Kong Zhanpeng
Chairman

20 March 2012

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in retail business through launching of its own branded sweeteners and beef products direct to supermarket chains and end users.

BUSINESS ENVIRONMENT

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

Riding on the growth momentum in 2010, positive market sentiment and commodities prices in the People's Republic of China (the "PRC") continued to grow during the year under review (the "Year"). As a result, the average purchasing price of corn kernels increased by approximately 14.5% as compared to the corresponding period last year.

On the other hand, with the credit tightening policy continued in the PRC and the effect of debt restructuring deal for Greece in the fourth quarter of the Year, sentiment among buyers and manufacturers turned conservative with the anticipation of economic downturn. As a result, the average selling price of corn starch dropped from its peak at RMB3,150 per metric tonne ("MT") in April 2011 to RMB2,960 per MT by the end of 2011.

The combined effect of all the above resulted in the price of cane sugar, a substitute of the Group's corn sweetener products, to reach the Year's peak at approximately RMB8,000 per MT at the third quarter of the Year, and closed at approximately RMB6,800 per MT by end of the Year.

FINANCIAL PERFORMANCE

The Group's consolidated revenue and gross profit for the Year increased by approximately 31.5% and 47.4% to approximately HK$4,414 million and HK$557 million respectively (2010: HK$3,356 million and HK$378 million) when compared to the previous year. Such increase was mainly attributable to the increase in average selling prices and sales volume. The Group's net profit attributable to shareholders for the Year increased by approximately HK$55 million to approximately HK$144 million (2010: HK$89 million).

Upstream products

(Sales amount: HK$1,581 million (2010: HK$1,224 million))
(Gross profit: HK$105 million (2010: HK$127 million))

On 17 November 2011, the Group completed the acquisition of Changchun Jincheng Corn Development Co., Ltd. ("Changchun Jincheng"), a corn refinery principally engaged in the manufacture and sale of corn starch and other corn refined products in Changchun, from a subsidiary of Global Bio-chem Technology Group Company Limited ("GBT" and, together with its subsidiaries other than the members comprising the Group and the Company's jointly-controlled entities, "GBT Group").

After the completion of the acquisition of Changchun Jincheng, the Group secured the supply of corn starch for the corn sweeteners production facilities in Changchun and reduced reliance on the supply of corn starch from the GBT Group. With the vertical integration, the Group is now in a better position to apply effective quality control procedures and to monitor and control the production flows of both corn starch and corn sweeteners, thereby minimising the chance of bottlenecks or inventory pile-up, and related administrative costs.

During the Year, the sales volume of corn starch and other corn refined products were approximately 305,000 MT (2010: 291,000 MT) and 204,000 MT (2010: 173,000 MT) respectively. Internal consumption of corn starch was approximately 167,000 MT (2010: 125,000 MT), which was used as raw material for production in the Group's Changchun, Jinzhou and Shanghai production sites.

The average selling prices of corn starch and other corn refined products during the Year increased by approximately 18.1% and 19.5% to HK$3,300 per MT and HK$2,800 per MT (2010: HK$2,800 per MT and HK$2,300 per MT) respectively as compared to the corresponding period last year. However, cost of sales increased by 34.6% when compared to the corresponding period of 2010 which was mainly attributable to the increase in raw material costs and other manufacturing costs as a result of inflationary pressure in PRC. In addition, the average selling price of corn starch slumped in the fourth quarter of the Year due to the stagnant corn starch market. As a result, the corn starch segment recorded a gross profit margin of approximately 17.3% (2010: 19.6%) while other corn refined products segment recorded a gross loss margin of approximately 12.7% (2010: 8.7%) during the Year.

The lingering economic uncertainty since the fourth quarter of 2011 continued to affect the working environment in the first quarter of 2012. As a result, the Group's upstream business has been in the mire in the first two months of 2012. The Group anticipates the working environment will continue to be challenging in the second quarter of 2012.

Nevertheless, with the Chinese government's attempt to slow down inflation while avoiding recession in conjunction with a moderately tight fiscal policy, and the signing of a permanent bailout fund in Europe, the management believes operating environment will improve in second half of 2012.

Corn syrup

(Sales amount: HK$1,682 million (2010: HK$1,239 million))
(Gross profit: HK$273 million (2010: HK$133 million))

The Group successfully launched a new product – high fructose corn syrup 55 ("HFCS 55"), which is widely used by beverage manufacturers in substitution of cane sugar. The construction of a HFCS 55 production facility of 100,000 MT per annum ("mtpa") in Shanghai was completed in October 2011 and trial production commenced in December 2011.

During the Year, the average selling price of glucose syrup and maltose syrup increased by approximately 29.9% and 27.5% respectively as compared to the corresponding period last year and the sales volume of glucose syrup increased to approximately 278,000 MT (2010: 246,000 MT) while the sales volume of maltose syrup remained at approximately 242,000 MT (2010: 244,000 MT). Consequently, the revenue of glucose syrup and maltose syrup grew by approximately 46.7% and 26.6% to approximately HK$823 million (2010: HK$561 million) and HK$858 million (2010: HK$678 million) respectively.

Internal consumption of glucose syrup for downstream production during the Year remained at approximately 281,000 MT (2010: 277,000 MT).

Despite the significant increase in raw material (corn starch) price during the Year, glucose syrup and maltose syrup segments recorded gross profit margins of approximately 15.9% (2010: 9.6%) and 16.6% (2010: 11.7%) respectively as a result of the increase in their average selling prices and effective cost control of the Company.

During the Year, the Group sold approximately 204,000 MT (2010: 184,000 MT) of glucose syrup to GBT Group.

Corn syrup solid

(Sales amount: HK$1,012 million (2010: HK$727 million))
(Gross profit: HK$166 million (2010: HK$110 million))

The revenue of corn syrup solid increased by approximately 39.2% during the Year as a result of the increase in average selling price and sales volume. Average selling price of crystallised glucose and maltodextrin increased by approximately 20.3% and 17.0% respectively, while sales volume of crystallised glucose decreased by approximately 13.2% to 146,000 MT (2010: 168,000 MT) and maltodextrin increased by approximately 28.4% to approximately 146,000 MT (2010: 113,000 MT). Consequently, the revenue of crystallised glucose and maltodextrin increased by approximately 28.6% and 50.2% respectively to approximately HK$477 million (2010: HK$371 million) and HK$535 million (2010: HK$356 million) respectively.

As a result of the drop in sales volume and the rise in raw material cost during the Year, cyrstallised glucose segment recorded a gross profit of approximately HK$79 million (2010: HK$68 million) with a gross profit margin of 16.5% (2010: 18.3%).

On the other hand, maltodextrin recorded a gross profit margin of approximately HK$87 million (2010: HK$42 million) with a gross profit margin of 16.3% (2010: 11.8%) during the Year. The increase in gross profit margin was mainly attributable to the increase in selling price and effective cost control.

During the Year, the Group sold approximately 77,000 MT (2010: 139,000 MT) of crystallised glucose to the GBT Group.

Retail business

(Sales amount: HK$139 million (2010: HK$166 million)
(Gross profit: HK$13 million (2010: HK$8 million)

For the beef business, the Company continued to focus on improving the gross profit margin by adjusting the product mix. During the Year, the gross profit of the beef business increased to approximately HK$13 million (2010: HK$8 million) with the revenue decreased by approximately 15.9% to HK$139 million (2010: HK$166 million). As a result, the gross profit margin increased to 9.1% (2010: 4.8%).

As at 31 December 2011, the Group had approximately 375 heads of cattle (2010: 410) in ranch including 375 heads of Angus beef cattle (2010: 330) and zero heads of local cattle (2010: 80).

As at 31 December 2011, the Group has provided approximately HK$90 million as general working capital for the trading and fattening of beef cattle. In addition, the Group has also invested approximately HK$3 million for the improvement of current facilities and expansion of the barn. The construction was completed in April 2011.

In view of the increasing concern on food safety in China, the Company continues to adopt stringent control over product quality. Instead of focusing mainly on high volume growth of beef cattle business, the Directors place more emphasis on developing high value-added beef products, in order to be line with the needs of the changing market.

One of the Company's development strategies since its listing was in the food-related and retail markets. Since 2008, the Company has developed its own branded retail package sweeteners to supermarket chains and the retail chains. In 2009, the Company tapped into the beef business and launched quality beef products to supermarket chains and end users. Going forward, the Company will continue to develop other food-related business to cope with the increasing need from the Chinese market on safe and high quality food products.

Export sales

During the Year, the Group exported approximately 47,000 MT (2010: 45,000 MT) of upstream corn refined products and approximately 29,000 MT (2010: 41,000 MT) of corn sweeteners; their export sales amounted to approximately HK$103 million (2010: HK$102 million) and HK$119 million (2010: HK$137 million) respectively, representing approximately 5.0% (2010: 7.1%) of total revenue of the Group.

Other income, operating expenses, finance costs and income tax

Other income

During the Year, other income of the Group increased by approximately 120.2% to HK$63 million (2010: HK$29 million) was mainly attributable to increase in sales of scrap material, gain on exchange and gain on bargain purchase arising from the acquisition of a corn refinery of approximately HK$4 million, HK$5 million and HK$25 million respectively.

Selling and distribution costs

During the Year, the selling and distribution costs representing 5.3% (2010: 4.7%) of the Group's revenue increased by 47.1% to approximately HK$232 million (2010: HK$158 million) which is mainly attributable to the rise in transportation costs and packaging costs due to highflying petroleum price and increase in export sales volume respectively.

Administrative expenses

The administrative expenses representing 2.4% (2010: 2.1%) of the Group's revenue increased by 52.6% to approximately HK$107 million (2010: HK$70 million), mainly attributable to the share-based payment of approximately HK$19 million resulting from the share option granted during the Year.

Finance costs

Finance costs of the Group increased to approximately HK$74 million (2010: HK$52 million) for the Year due to the increase in interest for discounting bills receivable and the increase in interest rate in the PRC during the Year.

Income tax

During the Year, the overall effective tax rate of the Group decreased to approximately 23.5% (2010: 27.1%). It was mainly attributable to the increase in operating profit of one of the subsidiaries which is still entitled to 50% tax concession from enterprise income tax according to the prevailing income tax arrangement in the PRC.

Performance of joint venture

As at 31 December 2011, the Group has one joint venture project with Cargill Inc., which is principally engaged in the manufacture and sale of high fructose corn syrup 42 ("HFCS 42"). During the Year, the revenue of HFCS 42 decreased by 40.6% to HK$88 million (2010: HK$148 million) due to the drop in quantity sold by 51.6% to 24,000 MT (2010: 50,000 MT). Gross profit decreased by 43.2% to HK$11 million (2010: HK$20 million) is mainly attributable to increase in raw material cost by 17.9%. As a result, this joint venture recorded an operating loss of approximately HK$5 million (2010: operating profit HK$2 million) and share of loss by the Group amounted to HK$3 million (2010: share of profit HK$1 million).

The HFCS market has undergone changes in the last two years with users switching some of their HFCS 42 volume to HFCS 55. With the increasing acceptance of HFCS 55 products, the Group is considering the re-organisation of its HFCS segment to cope with the changing needs of the market.

Net profit attributable to shareholders

As a result of the stringent control over operating costs and the enhancement in operating efficiency, the net profit attributable to shareholders for the Year increased by approximately 61.2% to approximately HK$144 million (2010: HK$89 million).

IMPORTANT TRANSACTION

Acquisition of a corn refinery

As announced by the Company on 2 September 2011, the Company entered into a sale and purchase agreement on 2 September 2011 with Global Corn Investment (HK) Limited, an indirect wholly-owned subsidiary of GBT (the controlling shareholder of the Company), for the sale and purchase of the entire issued share capital in, and shareholder's loan of, Global Starch (BVI) Investments Limited, which pursuant to reorganisation, would become ultimate holding company of Changchun Jincheng (which is principally engaged in the manufacture and sales of corn starch and other corn refined products) at an aggregate consideration of HK$510 million. The consideration was settled by the Company allotting and issuing the consideration Shares (being 377,778,000 new Shares) to GBT at the issue price of HK$1.35 per Share. Pursuant to the Listing Rules, the acquisition constituted a major and connected transaction of the Company. The completion took place in November 2011, upon which Changchun Jincheng became a wholly-owned subsidiary of the Company.

The Directors believe the acquisition of Changchun Jincheng is beneficial to the Group as it could secure the supply of corn starch for the Group's corn sweeteners production facilities in Changchun. Such vertical integration along the chain of production for the Group not only saves processing packaging, dehumidifying, storage, transportation and other related costs but also enhances operational efficiency within the Group.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group's net borrowings increased to approximately HK$1,335 million (31 December 2010: HK$502 million) as at 31 December 2011 which was mainly due to increase in bank borrowings of approximately HK$749 million as a result of the acquisition of Changchun Jincheng.

Structure of interest bearing borrowings

As at 31 December 2011, the Group's bank borrowings amounted to approximately HK$1,832 million (31 December 2010: HK$879 million), of which approximately 4.4% (31 December 2010: 11.4%) was denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Year increased to approximately 6.5% (2010: 6.2%) per annum as a result of the increase in the PRC interest rate.

The percentage of interest bearing borrowings wholly repayable within one year or on demand and in the second to the fifth years were approximately 95.7% (31 December 2010: 70.0%) and 4.3% (31 December 2010: 30.0%) respectively. The change in repayment pattern was mainly due to increase in short term bank borrowings as a result of acquisition of Changchun Jincheng during the Year.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. As at 31 December 2011, out of the amounts due from fellow subsidiaries, approximately HK$470 million representing the trade nature portion (31 December 2010: HK$130 million) was taken into consideration in the calculation of trade receivables turnover days. During the Year, the trade receivables turnover days increased to approximately 104 days (31 December 2010: 69 days) which was mainly attributable to increase in amounts due from fellow subsidiaries as a result of the acquisition of Changchun Jincheng in November 2011. Subsequent to the end of the reporting period, approximately HK$427 million of trade receivable was settled. Meanwhile, the outstanding balances of approximately HK$452 million (31 December 2010: HK$92 million) as at 31 December 2011 arising from the purchase transactions with the GBT Group were classified as amounts due to fellow subsidiaries. Such balances were considered as trade payables for the calculation of trade payables turnover days. During the Year, trade payables turnover days increased approximately 49 days (31 December 2010: 26 days) as part of the cash flow management. Due to the increase in the inventory level of corn kernels as a result of the acquisition of Changchun Jincheng to approximately 372,000 MT (31 December 2010: 195,000 MT), the inventory turnover days had increased to approximately 110 days for the Year (31 December 2010: 72 days).

The current ratio and quick ratio as at 31 December 2011 decreased to approximately 1.22 (31 December 2010: 1.67) and 0.77 (31 December 2010: 1.10) due to the increase in bank borrowings as a result of the acquisition of Changchun Jincheng. Gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity were approximately 34.3% (31 December 2010: 26.9%), 71.5% (31 December 2010: 45.6%) and net debts 52.1% (31 December 2010: 26.1%) respectively. The change in gearing ratio was mainly attributable to the increase in bank borrowings as a result of the acquisition of Changchun Jincheng. Interest coverage (i.e. EBITDA over finance costs) decreased to approximately 5.0 times (2010: 5.5 times) as a result of the increase in finance costs by 42.7% to HK$74 million (2010: HK$52 million).

The Group's short term bank borrowings increased from approximately HK$614.9 million as at 31 December 2010 to HK$1,753.5 million as at 31 December 2011. Such increase was mainly attributable to the Group's acquisition of Changchun Jincheng, which operates a corn refinery in Changchun Province, the PRC with an annual production capacity of approximately 420,000 mtpa of corn starch, being one of the principal production materials for the Group. As the Group's usual cost control measures, the Group generally procures corn kernels, being the raw material for corn starch, during the period from October to April each year to meet the production requirement during the period from May to September each year. As such, the Group's inventory level for corn kernels increased from approximately 195,000 MT on 31 December 2010 to approximately 372,000 MT on 31 December 2011 as a result of the Group's acquisition of an additional corn refinery. As it is in line with the PRC government's policy to support agricultural companies, local banks had offered short term bank borrowings to Changchun Jincheng for financing the purchase of corn kernels. The short term bank borrowings of Changchun Jincheng as at 31 December 2011 amounted to approximately HK$749 million. In light of the market demand of the Group's products and given that the Group's inventory of corn kernels are generally consumed during the period from May to September each year, it is expected that the Group will be able to generate income from the sales of the end products and repay these short term bank borrowings. Besides, the Group has been able to maintain a healthy level of working capital and current assets, with net cash inflows from operating activities amounted to approximately HK$132 million during the year ended 31 December 2011 (2010: net cash outflows of approximately HK$63 million), and the current ratio of approximately 1.22 as at 31 December 2011 (31 December 2010: 1.67). In the long run, the Group targets to lower the gearing ratio to 40% in five years.

During the Year, the Group was granted a loan facility of HK$80 million by a bank which was repayable within one year. As at the date of this report, the outstanding balance of the loan amounted to HK$50 million. Pursuant to the loan facility agreement, a termination event would arise if, among others, (i) the Company issues new shares more than 5% of the existing shareholdings of the Company and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement. At the end of the reporting period, the Group was unable to comply with both of the above covenants as a result of the acquisition of Changchun Jincheng. The consideration of the transaction was settled by the Company allotting and issuing new shares which accounted for approximately 24.7% of the Company's enlarged issued share capital. Consequently, covenant (i) was breached. Upon completion, net borrowing increased significantly as the Group has taken up approximately HK$749 million bank borrowing from Changchun Jincheng, resulting in the breach of (ii) as certain financial covenants were not met. The Directors have been taking action to rectify the non-compliance. On 28 December 2011, the lender had confirmed in writing the relaxation of the breached covenant (i). As at the date of this report, the Group was unable to obtain written relaxation of the breached covenant (ii) from the lender. Considering the Group has sufficient financial resources to repay the loan, the Company has made arrangements to repay the loan in full by the end of June 2012. Despite the above non-compliance, the Group has not experienced any difficulty in obtaining further bank financing with its banks for its working capital or business development purposes.

The Group recorded net cash inflows from operating activities amounting to approximately HK$132 million during the Year (2010: net cash outflows HK$63 million). The change in cash flow position was mainly due to the stringent control on cash flow position over trade receivable and inventory.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS AND PROSPECTS

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

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

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

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

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

EXPANSION OF PRODUCTION CAPACITY

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

To secure raw material supply and match with the Group's expansion in downstream corn sweeteners production in future, the Group commenced construction in building an additional 300,000 mtpa corn processing capacity in current Jinzhou corn refinery in August 2011 and is expected to complete by the second quarter of 2012.

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

As mentioned in the Company's 2011 Interim Report, the Group previously planned to resume the construction of a new crystallised glucose production facility of 100,000 mtpa, a maltodextrin production facility of 40,000 mtpa and a new HFCS 55 production facility of 100,000 mtpa in Jinzhou in 2012. However, in light of a slowdown of the global economy, the Directors are of a prudent view that these projects should be postponed. The Company will continue to observe market movements and assess from time to time the need and feasibility of capacity expansion.

USE OF PROCEEDS FROM THE COMPANY'S TDR ISSUE

As announced by the Company on 18 March 2010, it was the Board's then intention to use the net proceeds from the issue of the Taiwan depositary receipts ("TDR Issue") for the working capital of the Group's high end beef products business. The net proceeds received by the Company from the TDR Issue were about HK$184 million, of which about HK$90 million had been used for the working capital for the Group's high end beef products business and about HK$94 million remained unused up to the date of this report.

In view of the increasing food safety awareness in the PRC, the Board is inclined to develop more high value-added beef products than aggressively raise the sales volume in the short run. After a thorough evaluation of the current operation and the prospects of the beef business, the Board considered that the internal resources and revenue generated by the high end beef products are sustainable for its growth and development. In order to better utilise the cashflow of the Group, the Board has resolved to change the proposed use of the unused net proceeds of about HK$94 million received from the TDR Issue as general working capital of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2011, the Group has approximately 1,400 full time employees in Hong Kong and the PRC. The Group emphasises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for enhancing production capability and development of new products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Our staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

Mr. Kong Zhanpeng, aged 48, is the executive Director and Chairman of the Company and is responsible for the Group's overall corporate development and management. Mr. Kong is one of the founders of the parent company, Global Bio-chem Technology Group Company Limited ("GBT") in 1994. He has over 16 years of extensive experience in industry and corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

Mr. Zhang Fazheng, aged 62, was appointed as an executive Director in June 2008 and was appointed as the chief executive officer of the Group on 6 February 2009. Mr. Zhang is responsible for overseeing the Group's operation management and product development. Mr. Zhang graduated from Jilin Finance and Trade College in 1992, majoring in corporate accounting and he has over 23 years of experience in the management of production plant. Mr. Zhang joined the Group in 1998. He is the brother-in-law of Mr. Xu Zhouwen, an executive Director.

Mr. Xu Zhouwen, aged 69, was appointed as an executive Director on 28 October 2010. He graduated from the Harbin Electric University in 1970. As a pioneer in the corn refinery and corn-based bio-chemical industry, Mr. Xu has expertise in corn sweeteners industry. He is responsible to advise on the Group's operation management and product development. Mr. Xu is an executive director and the co-chairman of GBT, the holding company of the Company, the ordinary shares of which are listed on the main board of the Stock Exchange. Mr. Xu's role in the GBT Group is primarily on formulating and implementing product diversification strategies, managing product development and technology research, as well as supervising the overall production and operations of the GBT Group. He is the brother-in-law of Mr. Zhang Fazheng, an executive Director.

Mr. Lee Chi Yung, aged 37, is an executive Director, financial controller and company secretary of the Company. He is responsible for overseeing the Group's financial reporting procedures, internal controls and compliance with the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**" or "**Stock Exchange**") and other relevant laws and regulations. Mr. Lee has over 11 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. He graduated from the City University of Hong Kong with a Bachelor's degree (with honors) in accountancy in 1996. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the GBT Group in September 2000 and then the Group in August 2007 and was appointed as executive Director on 8 December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, aged 49, holds a Bachelor's degree in Commerce from the University of Newcastle in Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. He has more than 20 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia. Mr. Chan was appointed as an independent non-executive Director in June 2008. Mr. Chan also holds directorship in the following publicly listed companies:

Company Name	Stock Code	Position
Anhui Conch Cement Company Limited	Hong Kong Stock Exchange: 00914 Shanghai Stock Exchange: 600585	Independent non-executive director
Ausuntria Dairy Corporation Limited	Hong Kong Stock Exchange: 01717	Independent non-executive director
BYD Electronics (International) Company Limited	Hong Kong Stock Exchange: 00285	Independent non-executive director
Daisho Microline Holdings Limited	Hong Kong Stock Exchange: 00567	Independent non-executive director
Kam Hing International Holdings Limited	Hong Kong Stock Exchange: 02307	Independent non-executive director
Sinopoly Battery Limited (formerly known as Thunder Sky Battery Limited and Jia Sheng Holdings Limited)	Hong Kong Stock Exchange: 00729	Independent non-executive director
Trauson Holdings Company Limited	Hong Kong Stock Exchange: 00325	Independent non-executive director
Xinhua Winshare Publishing and Media Co., Limited (formerly known as Sichuan Xinhua Winshare Chainstore Co., Limited)	Hong Kong Stock Exchange: 00811	Independent non-executive director

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

Mr. Gao Yunchun, aged 47, 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 14 years of experience in the field of chemical engineering and corn refinery industry. Mr. Gao was appointed as an independent non-executive Director in August 2007.

Mr. Ho Lic Ki, aged 63, completed the Chinese Senior Bankers Program offered by the University of Washington, Seattle, the US in cooperation with the Bank of China (Hong Kong) in 1991 and obtained a Foundation Diploma in Management from the University of Hong Kong in 1994. He is also a holder of a Bachelor Degree in Chinese Medicine (Dispensing), Hubei University of Chinese Medicine and the registered licensee of type 9-asset management regulated activities under the Securities and Futures Ordinance. Mr. Ho is a full member of Hong Kong Securities Institute and was awarded as "Professional Manager" by the Hong Kong Management Association in 2008. Mr. Ho has about 40 years of experience in banking, finance and asset management. Mr. Ho was appointed as independent non-executive Director in August 2007. Mr. Ho has also been an independent non-executive director of Karce International Holdings Company Limited, which is a listed company in Hong Kong, during the period from 14 January 2010 to 9 April 2010.

SENIOR MANAGEMENT

Mr. Nie Zhiguo, aged 40, is the general manager of Jinzhou Dacheng Food Development Co., Ltd.. Mr. Nie obtained a master degree in University of Electronic Science and Technology of China, the School of Computer Science and Engineering, in 2000. He joined GBT in 1997. He has over 14 years of experience in corn refinery and sweeteners industries. Mr. Nie joined the Group in 2001, after his appointment as Production Engineer in Global Bio-chem — Cargill High Fructose (Shanghai) Co., Ltd..

Mr. Wen Gang, aged 40, is the general manager of Changchun Dihao, Dihao Crystal and Changchun Jincheng, responsible for the operations including production planning, cost control and product development. Mr. Wen graduated from Liaoning University in 2000, majoring in Business Administration. He joined the Group in March 2005. Mr. Wen has about 12 years of experience in production and corn refinery and sweeteners industries.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2011, the Company has fully complied with all code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to 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 did not adopt the recommended best practice of the Code to set up a nomination committee during the year ended 31 December 2011.

THE BOARD

Members' Attendance of Board and Committee Meetings for the year 2011.

	Meetings Attended and Held		
	Board Meeting	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Kong Zhanpeng	4/8*		2/2
Zhang Fazheng	7/8**		
Xu Zhouwen	4/8***		
Lee Chi Yung	7/8****		
Independent non-executive Directors			
Chan Yuk Tong	8/8	2/2	
Gao Yunchun	8/8	2/2	2/2
Ho Lic Ki	8/8	2/2	2/2

* *Amongst the four board meetings Mr. Kong Zhanpeng was absent during the year ended 31 December 2011, all of which were meetings that Mr. Kong had been required to abstain after disclosure of his conflict of interest. Consequently, Mr. Kong only attended four out of eight board meetings during the year under review.*

** *Mr. Zhang Fazheng was required to abstain in one of the board meeting during the year ended 31 December 2011 after disclosure of his conflict of interest. Consequently, Mr. Zhang only attended seven out of eight board meetings during the year under review.*

*** *Amongst the four board meetings Mr. Xu Zhouwen was absent during the year ended 31 December 2011, three of which were meetings that Mr. Xu had been required to abstain after disclosure of his conflict of interest. Consequently, Mr. Xu only attended four out of eight board meetings during the year under review.*

**** *Mr. Lee Chi Yung was required to abstain in one of the board meeting during the year ended 31 December 2011 after disclosure of his conflict of interest. Consequently, Mr. Lee only attended seven out of eight board meetings during the year under review.*

As of the date of this report, the Board comprises seven Directors, being four executive Directors and three independent non-executive Directors. Other than Mr. Xu Zhouwen being the brother-in-law of Mr. Zhang Fazheng, an executive Director and Chief Executive Officer of the Group, there is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Details of the biographies of each individual Directors and their range of specialist experience and expertise are set out on page 15 to 17 of this report.

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Gao Yunchun and Mr. Ho Lic Ki have appointed for an initial term of two years commencing from 1 September 2007, and Mr. Chan Yuk Tong has been appointed for an initial term of two years commencing from 1 June 2008. The terms of all independent non-executive Directors are renewable automatically for successive term of two years each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company at any time during the then existing term.

DIRECTORS' REMUNERATION

During the Year, Directors' remuneration is as follows:

	2011 HK$'000	2010 HK$'000
Fees	768	744
Other emoluments:		
Salaries, allowances and benefits in kind	4,654	4,540
Performance related bonuses	7,000	4,400
Equity-settled share option expense	12,980	—
Pension scheme contributions	24	24
	25,426	9,708

According to the Directors' service contracts, each of the executive Directors is entitled to a basic salary to an annual increment at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase. In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited combined or consolidated audited net profit of the Group (after taxation and non-controlling and payment of such bonuses but before extraordinary items) in respect of the financial year of the Company. For the year ended 31 December 2011, the aggregate amount of the bonuses payable to the executive Directors amounted to approximately 4.9% (2010: 4.9%) of the net profit from ordinary activities attributable to owners of the parent.

(a) Independent Non-executive Directors

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

2011

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

2010

	Fees HK$'000	Equity-settled share option expenses HK$'000	Total HK$'000
Chan Yuk Tong	252	—	252
Gao Yunchun	240	—	240
Ho Lic Ki	252	—	252
	744	—	744

There were no other emoluments payable to the independent non-executive Directors during the Year (2010: Nil).

(b) Executive Directors

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

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
2011					
Executive Directors:					
Kong Zhanpeng	3,180	5,000	3,540	12	11,732
Zhang Fazheng	470	600	1,180	—	2,250
Xu Zhouwen	—	—	3,540	—	3,540
Lee Chi Yung	1,004	1,400	2,360	12	4,776
	4,654	7,000	10,620	24	22,298
2010					
Executive Directors:					
Kong Zhanpeng	2,760	3,500	—	12	6,272
Zhang Fazheng	496	—	—	—	496
Xu Zhouwen*	—	—	—	—	—
Wang Guifeng**	480	—	—	—	480
Lee Chi Yung	804	900	—	12	1,716
	4,540	4,400	—	24	8,964

* appointed on 28 October 2010
** resigned on 29 September 2010

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

When selecting a suitable candidate in becoming a member of the Board, the Board will consider various criteria such as education, qualification, experience and reputation of each candidate.

During the Year, one Board meeting was held in relation to the retirement and re-election of Directors. All Directors attended the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

The Audit Committee held two meetings in 2011.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters, and has reviewed the audited financial statements of the Group for the year ended 31 December 2011.

INTERNAL CONTROL

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

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

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

On 10 November 2011, the Board has engaged BDO Financial Services Limited ("BDO") to conduct a review on the effectiveness of the internal control system of the Group, and where weaknesses are identified, to recommend means for improvement to the Audit Committee. The Board has reviewed the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and BDO.

REMUNERATION COMMITTEE

The members of the remuneration committee consisted of an executive Director, Mr. Kong Zhanpeng and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Gao Yunchun. Mr. Kong Zhanpeng is the chairman of the remuneration committee. The duties of the remuneration committee are, among others, to make recommendations to the Board on the Group's policy and structure regarding the remuneration of Directors and senior management, and to review and approve on performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

In 2011, the remuneration committee held two meetings to review and approve the remuneration packages of the Directors and the senior management.

REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their remuneration with the Group's performance and to evaluate their remuneration 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 TRANSACTIONS EXECUTIVE COMMITTEE

As at the date of this report, the CCT Executive Committee comprises two executive Directors, namely Mr. Lee Chi Yung and Mr. Zhang Fazheng, responsible for monitoring, review and management of the continuing connected transactions (the "CCT") between the Group on one part and GBT and its subsidiaries (other than the Group and the Company's jointly controlled entities) (collectively, the "GBT Group"). The main duties of the CCT Executive Committee are to prepare continuing connected transactions report and submitted to CCT Supervisory Committee on regular basis.

In 2011, the CCT Executive Committee held twelve meetings.

CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee comprising all independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

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

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

(3) in respect of the provision of utility services (the "Utility Services") by the GBT Group to the Group, to review the CCT Quarterly Report from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group;

(4) in respect of the sales agency service (the “Sales Agency Services”) by the GBT Group to the Group, to review the CCT Quarterly Report from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the half-year period ended 30 June or 31 December, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) the auditors of the Group will be engaged to review the continuing connected transactions (other than the sales agency services from the GBT Group) on a quarterly basis, and the sales agency services from the GBT Group on a semi-annual basis, and shall report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.38 of the Listing Rules.

During the Year, four meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase, the Utility Services and the Sales Agency Services entered into by the Group with the GBT Group during the Year. Details of findings have been published on 30 May 2011, 22 August 2011, 22 November 2011 and 2 March 2012. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase conducted during the Year were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services and the Sales Agency Services rendered during the Year had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the financial statements on the going concern basis.

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

AUDITORS' REMUNERATION

For the year ended 31 December 2011, approximately HK$2,000,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of approximately HK$485,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation	119
Others	1,114
Total	1,233

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 proposed resolutions are contained in the circular.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2011.

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

As recommended by the remuneration committee of the Company on 30 August 2011 and approved by the Board on 31 August 2011, the monthly salary of Mr. Zhang Fazheng and Mr. Lee Chi Yung payable under the respective service agreement entered into between the Company and each of Mr. Zhang Fazheng and Mr. Lee Chi Yung have been increased to HK$67,000 and HK$100,000 respectively with effect from 1 August 2011.

The directors present their report and the audited financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products, corn based sweetener products, and cattle breeding and beef selling. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 104.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2011 (2010: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2011 and the published combined financial information of the Group for the four years ended 31 December 2007, 2008, 2009 and 2010, as extracted from the audited financial statements or the prospectus of the Company dated 10 September 2007, and restated as appropriate, is set out on page 105. 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 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 29 and note 30 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$1,179,228,000. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$1,074,879,000 as at 31 December 2011 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 32.9% of the total sales for the year and sales to the largest customer included therein accounted for 17.3% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 29.3% of the total purchases for the year, and purchases from the largest supplier included therein accounted for 22.6% of the total purchases of the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Kong Zhanpeng
Zhang Fazheng
Xu Zhouwen
Lee Chi Yung

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

In accordance with articles 108(A) of the Company's articles of association and Mr. Zhang Fazheng, being an executive director, and Mr. Gao Yunchun and Mr. Ho Lic Ki, both being independent non-executive directors, will retire by rotation at the forthcoming annual general meeting on 7 May 2012. All the above directors, being eligible, will offer themselves for re-election at the annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The executive directors, Mr. Kong Zhanpeng, Mr. Zhang Fazheng, Mr. Xu Zhouwen and Mr. Lee Chi Yung have entered into service contracts with the Company for a term of three years which commenced on 1 September 2007, 1 June 2008, 28 October 2010 and 8 December 2009, respectively and renewable automatically for successive term of one year. Each of the executive directors is subject to termination by either party giving not less than three months' written notice.

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save that Mr. Kong Zhanpeng and Mr. Xu Zhouwen, both being executive Directors, were indirectly interested in the contracts made between the Group and the GBT Group as disclosed in the paragraph headed "Continuing connected transactions" of this report and the acquisition of Chengchun Jincheng as disclosed in the section headed "Management discussion and analysis — Important transaction" in this report by virtue of his interest in GBT, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

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

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

Participants	At 1 January 2010	Grant during the year	Lapsed during the year	Exercised during the year	At 31 December 2011	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options	Closing price immediately before the grant date	Weighted average closing price immediately before the exercise date	Closing price at exercise date of options
									HK$ per share	HK$ per share	HK$ per share	HK$ per share
Lee Chi Yung	3,000,000	–	(3,000,000)	–	–	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	330,000	–	–	(330,000)	–	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	1.71	1.84
Kong Zhanpeng	–	6,000,000	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Zhang Fazheng	–	2,000,000	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Xu Zhouwen	–	6,000,000	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Lee Chi Yung	–	4,000,000	–	–	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Chan Yuk Tong	–	2,000,000	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Ho Lic Ki	–	2,000,000	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Employees	–	3,400,000	–	–	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
Other Participant	–	6,000,000	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67	N/A	N/A
	3,330,000	31,400,000	(3,000,000)	(330,000)	31,400,000							

At 31 December 2011, the options granted to subscribe for 31,400,000 Shares remained outstanding, representing approximately 2.06% of the issued share capital of the Company at that date. 31,400,000 options to subscribe for Shares have been granted during the year ended 31 December 2011.

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

Further details of the Scheme are disclosed in note 30 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, 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 as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**"):

Name of director	The company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities held (Note 1)	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Kong Zhanpeng	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.56
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) (Note 2)	7.42
	The Company	Beneficial owner	1,984,000 shares (L) (Note 3)	0.13
	The Company	Beneficial owner	6,000,000 shares (L) (Note 4)	0.39
Xu Zhouwen	GBT	Beneficial owner	24,155,600 ordinary shares of HK$0.10 each (L)	0.74
	GBT	Interest of a controlled corporation	295,456,000 ordinary shares of HK$0.10 each (L) (Note 5)	9.06
	The Company	Beneficial owner	6,000,000 shares (L) (Note 6)	0.39
Zhang Fazheng	The Company	Beneficial owner	2,000,000 shares (L) (Note 7)	0.13
Lee Chi Yung	The Company	Beneficial owner	4,000,000 shares (L) (Note 8)	0.26
Chan Yuk Tong	The Company	Beneficial owner	2,000,000 shares (L) (Note 9)	0.13
Ho Lic Ki	The Company	Benefical owner	2,000,000 shares (L) (Note 10)	0.13

Notes:

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

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

3. These shares are held by Hartington Profits Limited.

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

5. These 295,456,000 shares are held by Crown Asia Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Xu Zhouwen.

6. These shares are underlying shares comprised in the options granted to Mr. Xu Zhouwen pursuant to the Scheme.

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

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

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

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

Saved as disclosed above, as at 31 December 2011, none of the directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLING SHARES

At 31 December 2011, so far as is known to the directors, the following persons (other than the directors) had an interest or short position in the shares and underlying shares of the Company and chief executive of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of Company's issued share capital
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 shares of HK$0.10 each (L)	64.01
GBT	Interest of a controlled corporation (Note 2)	977,778,000 shares of HK$0.10 each (L)	64.01
	Beneficial owner	500,000 shares of HK$0.10 each (L)	0.03

Notes:

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

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

Saved as disclosed above, no person, other than the directors and chief executive of the Company has, as of 31 December 2011, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

Sales to and purchase from the GBT Group

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

Sourcing of utilities services

Pursuant to the utilities master supply agreement dated 16 April 2009, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Group's production plants at Changchun on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. Under the utilities service master supply agreement, the fees payable by the Group shall be settled on a monthly basis and shall be payable by the Group within 90 days after the date of the relevant invoice issued by GBT Group. During the Year, amounts payable by the Group in respective of provisions of these utilities services by the GBT Group amounted to HK$112 million.

Purchase of corn starch

Pursuant to the corn starch master purchase agreement dated 16 April 2009, the Group has been sourcing corn starch either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. Under the corn starch master purchase agreement, the prices shall be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the corn starch master purchase agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. During the Year, purchase of corn starch from the GBT Group by the Group amounted to HK$866 million.

Supply of corn sweeteners

Pursuant to the corn sweeteners master sales agreement dated 16 April 2009, the GBT Group has been sourcing corn sweeteners, including sorbitol, from the Group as one of the principal production materials for the production of its amino acid and polyol products on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to independent third parties. Under the corn sweeteners master sales agreement, the payment terms for the products would be set out in the purchase order for each order to be placed under the agreement, provided that the purchase price shall be payable by the relevant member of the GBT Group within 60 days after the date of the relevant invoice issued by the Group. During the Year, sales of corn sweeteners, by the Group to the GBT Group amounted to HK$730 million.

Sales agency service

Pursuant to the sales agency agreement dated 10 December 2010 ("Yuancheng Sales Agency Agreement"), the GBT Group has been providing sales agency service to Jinzhou Yuancheng, a wholly owned subsidiary of the Company, for the sale of corn starch and other co-products. Under the Yuancheng Sales Agency Agreement, Jinzhou Yuancheng shall reimburse the GBT Group for its costs for the performance of its obligations under the Yuancheng Sales Agency Agreement on a semi-annual basis and there would not be any other agency fee being charged by the GBT Group for the services rendered. During the Year, the fee paid by Jinzhou Yuancheng for the sales agency service amounted to HK$5 million.

Pursuant to the sales agency agreement dated 17 November 2011 ("Jincheng Sales Agency Agreement", together with the Yuancheng Sales Agency Agreement, the "Sales Agency Agreements"), the GBT Group has been providing sales agency service to Changchun Jincheng, a wholly owned subsidiary of the Company, for the sale of corn starch and other co-products. Under the Jincheng Sales Agency Agreement, Changchun Jincheng shall reimburse the GBT Group for its costs for the performance of its obligations under the Jincheng Sales Agency Agreement on a semi-annual basis and there would not be any other agency fee being charged by the GBT Group for the services rendered. During the Year, the fee paid by Changchun Jincheng for the sales agency service amounted to HK$1 million.

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

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

Other than the aforementioned continuing connected transactions, the related party transactions disclosed in note 36 to the financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirement of Chapter 14A of the Listing Rules, saved for the sales commission paid to a related company.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Kong Zhanpeng and Mr. Xu Zhouwen, two of the executive Directors, are interested in approximately 7.98% and 9.80% of the issued share capital of GBT through their interest as beneficial owners and their respective interest in Hartington Profits Limited and Crown Asia Profits Limited. The GBT Group is engaged in, among other things, the production and sale (the "Excluded Business") of corn starch, steepwater liquid, corn oil, germ cake, corn fibre feed, corn gluten meal, corn gluten feed pellets and other co-products ("Co-Products"). Pursuant to a non-compete undertaking ("Non-compete Undertaking") given by GBT and Global Corn Bio-chem dated 3 September 2007 in favour of the Group (as supplemented by a waiver executed by the Company to GBT and Global Corn Bio-chem dated 24 September 2008), the GBT Group is restricted from engaging in any business that may compete with the business of the Group from time to time.

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

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

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

AUDITORS

Ernst & Young 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
20 March 2012

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

20 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	4,414,077	3,356,264
Cost of sales		(3,856,689)	(2,978,038)
Gross profit		557,388	378,226
Other income and gain	5	62,882	28,556
Selling and distribution costs		(231,847)	(157,608)
Administrative expenses		(107,425)	(70,406)
Other expenses		(17,462)	(3,517)
Finance costs	7	(73,682)	(51,617)
Share of profits/(losses) of jointly controlled entities	19	(2,598)	1,196
PROFIT BEFORE TAX	6	187,256	124,830
Income tax expense	10	(43,926)	(33,768)
PROFIT FOR THE YEAR		143,330	91,062
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation		51,881	—
Income tax effect		(12,971)	—
		38,910	—
Exchange difference on translation of financial statements of operations outside Hong Kong		82,402	26,137
Share of other comprehensive income of jointly controlled entities		4,313	1,712
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		268,955	118,911
Profit attributable to:			
Owners of the parent	11	144,072	89,402
Non-controlling interests		(742)	1,660
		143,330	91,062
Total comprehensive income attributable to:			
Owners of the parent		269,242	117,251
Non-controlling interests		(287)	1,660
		268,955	118,911
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	13	HK$0.120	HK$0.079
Diluted	13	HK$0.120	HK$0.079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,611,046	1,157,692
Prepaid land lease payments	15	209,405	106,146
Deposits paid for acquisition of property, plant and equipment		39,716	5,439
Goodwill	16	183,538	183,538
Other intangible assets	17	9,316	—
Prepayments, deposits and other receivables	23	8,435	—
Deferred tax assets	28	1,383	595
Breeding biological assets	20	9,007	7,535
Investments in jointly controlled entities	19	99,087	97,372
Total non-current assets		2,170,933	1,558,317
CURRENT ASSETS			
Inventories	21	1,165,611	585,981
Trade and bills receivables	22	782,681	503,246
Prepayments, deposits and other receivables	23	53,194	50,989
Trading biological assets	20	1,573	1,948
Due from jointly controlled entities		731	3,110
Due from the immediate holding company	36(iii)	21,086	21,086
Due from fellow subsidiaries	36(iii)	645,696	172,085
Cash and cash equivalents	24	496,816	377,559
Total current assets		3,167,388	1,716,004
CURRENT LIABILITIES			
Trade payables	25	60,752	122,850
Other payables and accruals	26	207,441	133,571
Interest-bearing bank borrowings	27	1,753,545	614,943
Due to fellow subsidiaries	36(iii)	522,725	128,466
Due to the ultimate holding company	36(iii)	24,896	3,417
Due to jointly controlled entities		—	17,299
Tax payable		28,480	3,997
Total current liabilities		2,597,839	1,024,543
NET CURRENT ASSETS		569,549	691,461
TOTAL ASSETS LESS CURRENT LIABILITIES		2,740,482	2,249,778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,740,482	2,249,778
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	78,358	264,368
Deferred tax liabilities	28	98,063	58,498
Deferred income		1,128	—
Total non-current liabilities		177,549	322,866
Net assets		2,562,933	1,926,912
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	152,759	114,948
Reserves	31(a)	2,410,084	1,804,588
		2,562,843	1,919,536
Non-controlling interests		90	7,376
Total equity		2,562,933	1,926,912

Kong Zhanpeng
Director

Lee Chi Yung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the parent										
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	104,927	579,388	24,534	88,305	150,226	1,667	670,539	10,493	1,630,079	5,716	1,635,795
Profit for the year	–	–	–	–	–	–	89,402	–	89,402	1,660	91,062
Other comprehensive income for the year:											
Exchange realignment	–	–	–	–	26,137	–	–	–	26,137	–	26,137
Share of other comprehensive income of jointly controlled entities	–	–	–	169	1,543	–	–	–	1,712	–	1,712
Total comprehensive income for the year	–	–	–	169	27,680	–	89,402	–	117,251	1,660	118,911
Issuance of Taiwan Depositary Receipts ("TDRs")	10,000	178,198	–	–	–	–	–	–	188,198	–	188,198
Share issue expense	–	(4,700)	–	–	–	–	–	–	(4,700)	–	(4,700)
Final 2009 dividend declared	–	–	–	–	–	–	(1,001)	(10,493)	(11,494)	–	(11,494)
Equity-settled share option arrangement	21	235	–	–	–	(97)	43	–	202	–	202
Transfer from retained profits	–	–	–	12,364	–	–	(12,364)	–	–	–	–
At 31 December 2010	114,948	753,121*	24,534*	100,838*	177,906*	1,570*	746,619*	–	1,919,536	7,376	1,926,912

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

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

* These reserve accounts comprise the consolidated reserves of the Group of HK$2,410,084,000 (2010: HK$1,804,588,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		187,256	124,830
Adjustments for:			
Finance costs	7	73,682	51,617
Gain on bargain purchase	32	(25,377)	—
Equity-settled share option expense	30	18,526	—
Bank interest income	5	(1,620)	(933)
Depreciation	14	104,488	100,321
Loss/(gain) on disposal of items of property, plant and equipment	6	369	(557)
Loss on disposal of biological assets	6	828	145
Changes in fair value of biological assets	6	(238)	2,940
Amortisation of prepaid land lease payments	15	5,796	5,252
Amortisation of other intangible assets	17	25	—
Share of (profits)/losses of jointly controlled entities	19	2,598	(1,196)
Impairment of trade and bills receivables	6	12,176	433
Impairment of other receivables	6	751	—
Impairment of inventories to net realisable value	6	1,691	2,938
		380,951	285,790
Decrease/ (increase) in inventories		10,545	(221,759)
Decrease/ (increase) in trading biological assets		839	(1,931)
Increase in trade and bills receivables		(135,554)	(74,707)
Decrease in prepayments, deposits and other receivables		7,067	28,806
(Decrease)/increase in trade payables		(75,764)	74,019
Increase/(decrease) in other payables and accruals		19,527	(3,353)
Decrease/(increase) in amounts due from fellow subsidiaries		59,475	(78,480)
Decrease/(increase) in amounts due from jointly controlled entities		3,088	(2,617)
Decrease in amounts due to fellow subsidiaries		(110,027)	(59,782)
(Decrease)/increase in amounts due to jointly controlled entities		(17,299)	17,198
Cash generated from/(used in) operations		142,848	(36,816)
Interest received	5	1,620	933
Overseas taxes paid		(12,701)	(26,912)
Net cash flows from/(used in) operating activities		131,767	(62,795)

	Notes	2011 HK$'000	2010 HK$'000
Net cash flows from/(used in) operating activities		131,767	(62,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of prepaid land lease payments		(6,111)	–
Purchases of items of property, plant and equipment		(203,510)	(26,983)
Proceeds from disposal of items of property, plant and equipment		–	1,535
Purchases of items of breeding biological assets	20	(1,948)	(1,256)
Additions to other intangible assets	17	(9,341)	–
Acquisition of subsidiaries	32	7,814	–
Net cash flows used in investing activities		(213,096)	(26,704)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		802,512	416,092
Repayment of bank borrowings		(566,341)	(354,023)
Interest paid	7	(73,682)	(51,617)
Equity-settled share option arrangement	30	525	202
Dividends paid to non-controlling shareholders		(6,046)	(11,494)
Acquisition of non-controlling interests		(4,829)	–
Proceeds from offering of TDRs		–	183,498
Decrease in an amount due from the immediate holding company		–	1,144
Increase in amounts due from fellow subsidiaries		(6,495)	(40,225)
Increase in amounts due from jointly controlled entities		(709)	(9)
Decrease in an amount due from the ultimate holding company		–	228
Increase in an amount due to the ultimate holding company		3,752	–
(Decrease)/increase in amounts due to fellow subsidiaries		(5,003)	13,364
Net cash flows from financing activities		143,684	157,160
NET INCREASE IN CASH AND CASH EQUIVALENTS		62,355	67,661
Cash and cash equivalents at beginning of year	24	377,559	296,556
Effect of foreign exchange rate changes, net		56,902	13,342
CASH AND CASH EQUIVALENTS AT END OF YEAR		496,816	377,559
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	444,670	327,154
Non-pledged time deposits with original maturity of less than three months when acquired	24	52,146	50,405
		496,816	377,559

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	791,713	508,391
Total non-current assets		791,713	508,391
CURRENT ASSETS			
Due from the ultimate holding company	36(iii)	81,800	81,800
Due from subsidiaries	36(iii)	1,336,132	1,139,458
Prepayments, deposits and other receivables	23	303	381
Cash and cash equivalents	24	93,978	210,538
Total current assets		1,512,213	1,432,177
CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	80,000	100,000
Due to subsidiaries	36(iii)	418,901	358,360
Other payables and accruals	26	15,355	12,861
Total current liabilities		514,256	471,221
NET CURRENT ASSETS		997,957	960,956
TOTAL ASSETS LESS CURRENT LIABILITIES		1,789,670	1,469,347
NON-CURRENT LIABILITIES			
Financial guarantee contracts		7,976	4,942
Total non-current liabilities		7,976	4,942
Net assets		1,781,694	1,464,405
EQUITY			
Issued capital	29	152,759	114,948
Reserves	31(b)	1,628,935	1,349,457
Total equity		1,781,694	1,464,405

Kong Zhanpeng
Director

Lee Chi Yung
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower 2, No. 18 Harcourt Road, Hong Kong. The Group was involved in the manufacture and sale of corn refined products, corn based sweetener products, and cattle breeding and beef selling. There were no changes in the nature of the Group's principal activities during the year.

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

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 36 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *(continued)*

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments*: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

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

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

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

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

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes—Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities *(continued)*

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

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of comprehensive income 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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 least at each financial year end.

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

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

Intangible assets (other than goodwill)

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

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

Trademarks

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

Golf club membership

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Biological assets

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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.

The Group's financial assets include cash and cash equivalents, trade and bills receivables, prepayment, deposits and other receivables, amounts due from fellow subsidiaries, amounts due from jointly controlled entities and an amount due from the immediate holding company.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsequent measurement *(continued)*

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Inventories

Inventories, other than the agricultural products which are measured in accordance with the accounting policy for "biological assets" above, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

Revenue recognition

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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

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

Other employee benefits

Pension schemes and other retirement benefits

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in the retirement benefit schemes (the "PRC RB Schemes") operated by the respective local municipal governments in provinces of Mainland China 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 profit or loss 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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item. (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. 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.

Judgement

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

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

Judgement *(continued)*

Recognition of a deferred tax liability for withholding taxes

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

Estimation uncertainty

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

Estimation of fair value of leasehold buildings

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$183,538,000 (31 December 2010: HK$183,538,000). Further details are given in note 16 to the financial statements.

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

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

Impairment of trade receivables

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

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

Estimation uncertainty *(continued)*

Allowances for inventories

The Group reviews an aged analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2011, the carrying amount of inventories was approximately HK$1,165,611,000 after netting off the allowances for inventories of approximately HK$4,923,000.

Estimation of fair value of biological assets

The Group's biological assets are stated at fair value less point-of-sale cost. This requires an independent valuer's assessment of the fair value of the biological assets. Changes in conditions of the biological assets could impact the fair value of the assets. The carrying amount of the Group's biological assets at 31 December 2011 was HK$10,580,000 (2010: HK$9,483,000). Further details are given in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the biological products segment engages in the breeding of cattle and the sale of beef.

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011	Corn refined products HK$'000	Corn based sweetener products HK$'000	Biological products HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	1,580,683	2,693,997	139,397	4,414,077
Intersegment sales	633,684	—	—	633,684
	2,214,367	2,693,997	139,397	5,047,761
Reconciliation:				
Elimination of intersegment sales				(633,684)
Revenue				4,414,077
Segment results	46,638	224,420	(2,259)	268,799
Reconciliation:				
Bank interest income				1,620
Unallocated gains				35,885
Corporate and other unallocated expenses				(45,366)
Finance costs				(73,682)
Profit before tax				187,256
Segment assets	2,291,781	2,726,168	129,319	5,147,268
Reconciliation:				
Elimination of intersegment receivables				(920,426)
Cash and cash equivalents				496,816
Corporate and other unallocated assets				614,663
Total assets				5,338,321
Segment liabilities	248,994	962,141	120,617	1,331,752
Reconciliation:				
Elimination of intersegment payables				(920,426)
Interest-bearing bank borrowings				1,831,903
Unallocated liabilities				532,159
Total liabilities				2,775,388
Other segment information:				
Share of losses of jointly controlled entities	—	(2,598)	—	(2,598)
Capital expenditure*	454,881	87,385	10,073	552,339
Depreciation	45,512	58,198	778	104,488
Amortisation of prepaid land lease payments	3,723	1,777	296	5,796
Impairment/(write-back) of trade and bills receivables	(244)	374	12,046	12,176
Impairment of other receivables	—	751	—	751
Impairment/(write-back) of inventories to net realisable value	2,040	(349)	—	1,691
Loss on disposal of biological assets	—	—	828	828

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2010	Corn refined products HK$'000	Corn based sweetener products HK$'000	Biological products HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	1,223,907	1,966,537	165,820	3,356,264
Intersegment sales	386,998	—	—	386,998
	1,610,905	1,966,537	165,820	3,743,262
Reconciliation:				
Elimination of intersegment sales				(386,998)
Revenue				3,356,264
Segment results	100,737	73,083	3,308	177,128
Reconciliation:				
Bank interest income				933
Unallocated gains				27,623
Corporate and other unallocated expenses				(29,237)
Finance costs				(51,617)
Profit before tax				124,830
Segment assets	1,189,887	1,231,323	131,446	2,552,656
Reconciliation:				
Elimination of intersegment receivables				(191,051)
Cash and cash equivalents				377,559
Corporate and other unallocated assets				535,157
Total assets				3,274,321
Segment liabilities	257,524	245,971	142,794	646,289
Reconciliation:				
Elimination of intersegment payables				(191,051)
Interest-bearing bank borrowings				879,311
Unallocated liabilities				12,860
Total liabilities				1,347,409
Other segment information:				
Share of profits of jointly controlled entities	—	1,196	—	1,196
Capital expenditure	10,490	18,424	4,612	33,526
Depreciation	38,316	61,679	326	100,321
Amortisation of prepaid land lease payments	3,339	1,675	238	5,252
Impairment/(write-back) of trade and bills receivables	(1,379)	1,812	—	433
Impairment of inventories to net realisable value	2,271	667	—	2,938
Loss on disposal of biological assets	—	—	145	145

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2011 HK$'000	2010 HK$'000
Mainland China	4,191,978	3,116,428
Regions other than Mainland China	222,099	239,836
	4,414,077	3,356,264

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	2011 HK$'000	2010 HK$'000
Mainland China	2,122,704	1,513,166
Regions other than Mainland China	46,846	44,556
	2,169,550	1,557,722

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

Information about a major customer

Revenue of approximately HK$730,120,000 (2010: HK$634,798,000) during the year ended 31 December 2011 was derived from the sales by the corn based sweetener products segment to group companies of the ultimate holding company.

5. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

		Group	
	Note	2011 HK$'000	2010 HK$'000
Revenue			
Sale of goods		4,414,077	3,356,264
Other income			
Bank interest income		1,620	933
Net profit arising from sale of packing materials and by-products		16,468	12,782
Government grants*		6,334	7,823
Others		13,083	7,018
		37,505	28,556
Gain			
Gain on bargain purchase	32	25,377	—
		62,882	28,556

* Government grants for 2011 represented the rewards for environmental protection, technology innovation and improvement to certain subsidiaries located in Mainland China. Government grants for 2010 represented sundry tax refunds awarded to certain subsidiaries located in Mainland China according to the notice of local bureau on an annual basis.

6. PROFIT BEFORE TAX

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

		Group	
	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold		3,265,398	2,505,717
Depreciation	14	104,488	100,321
Amortisation of prepaid land lease payments	15	5,796	5,252
Auditors' remuneration		2,485	2,366
Changes in fair value of biological assets	20	(238)	2,940
Employee benefit expenses (excluding directors' remuneration (note 8))			
Wages and salaries		47,457	36,912
Equity-settled share option expense	30	5,546	—
Pension scheme contributions		6,243	4,019
		59,246	40,931
Foreign exchange differences, net		(8,690)	(3,673)
Gain on bargain purchase*	32	(25,377)	—
Impairment of trade and bills receivables	22	12,176	433
Impairment of other receivables		751	—
Impairment of inventories to net realisable value		1,691	2,938
Loss/(gain) on disposal of items of property, plant and equipment		369	(557)
Loss on disposal of biological assets	20	828	145

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Interest on bank loans wholly repayable within five years	62,334	44,363
Finance costs for discounting bills receivables	11,348	7,254
	73,682	51,617

8. 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	
	2011 HK$'000	2010 HK$'000
Fees	768	744
Other emoluments:		
Salaries, allowances and benefits in kind	4,654	4,540
Performance related bonuses	7,000	4,400
Equity-settled share option expense	12,980	—
Pension scheme contributions	24	24
	24,658	8,964
	25,426	9,708

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to a management bonus. In addition, executive directors with special contributions to the Group may be entitled to special bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to owners of the parent in respect of that financial year. For the year ended 31 December 2011, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 4.9% (2010: 4.9%) of the net profit from ordinary activities attributable to owners of the parent.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options which has been recognised in the profit or loss, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors *(continued)*

2010	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Independent non-executive directors:			
Mr. Ho Lic Ki	252	—	252
Mr. Gao Yunchun	240	—	240
Mr. Chan Yuk Tong	252	—	252
	744	—	744

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors

2011	**Salaries, allowances and benefits in kind HK$'000**	**Performance related bonuses HK$'000**	**Equity-settled share option expense HK'000**	**Pension scheme contributions HK$'000**	**Total remuneration HK$'000**
Executive directors:					
Mr. Kong Zhanpeng	3,180	5,000	3,540	12	11,732
Mr. Zhang Fazheng	470	600	1,180	—	2,250
Mr. Xu Zhouwen	—	—	3,540	—	3,540
Mr. Lee Chi Yung	1,004	1,400	2,360	12	4,776
	4,654	7,000	10,620	24	22.298

2010	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Kong Zhanpeng	2,760	3,500	12	6,272
Ms. Wang Guifeng (Resigned on 29 September 2010)	480	—	—	480
Mr. Zhang Fazheng	496	—	—	496
Mr. Xu Zhouwen (Appointed on 28 October 2010)	—	—	—	—
Mr. Lee Chi Yung	804	900	12	1,716
	4,540	4,400	24	8,964

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	720	493
Performance related bonuses	—	—
Equity-settled share option expense	1,180	—
Pension scheme contributions	12	—
	1,912	493

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

	Group	
	2011 Number of individuals	2010 Number of individuals
Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	—	—
HK$1,500,001 to HK$2,000,000	1	—

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised in the profit or loss, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

No emolument was paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2011 and 31 December 2010.

10. INCOME TAX

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

	Group 2011 HK$'000	Group 2010 HK$'000
Current — Hong Kong	—	—
Current — Elsewhere	41,528	30,157
Deferred *(note 28)*	2,398	3,611
Total tax charge for the year	43,926	33,768

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 — 2011	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
(Loss)/profit before tax	(54,232)		241,488		187,256	
Tax at the statutory rate	(8,948)	16.5	60,372	25.0	51,424	27.5
Preferential tax rate offered *(note (a))*	—	—	(12,952)	(5.4)	(12,952)	(6.9)
Lower tax rate for tax relief granted *(note (b))*	—	—	(1,374)	(0.6)	(1,374)	(0.7)
Tax losses utilised from previous periods	—	—	(1,864)	(0.8)	(1,864)	(1.0)
Unrecognised tax losses	7,775	(14.3)	6,705	2.8	14,480	7.7
Income not subject to tax	(76)	0.1	(7,364)	(3.0)	(7,440)	(4.0)
Expenses not deductible for tax	1,249	(2.3)	403	0.2	1,652	0.9
Tax charge at the Group's effective rate	—	—	43,926	18.2	43,926	23.5

Group – 2010	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
(Loss)/profit before tax	(21,972)		146,802		124,830	
Tax at the statutory rate	(3,625)	16.5	36,701	25.0	33,076	26.5
Preferential tax rate offered *(note (a))*	—	—	(11,566)	(7.9)	(11,566)	(9.3)
Lower tax rate for tax relief granted *(note (b))*	—	—	(848)	(0.6)	(848)	(0.7)
Unrecognised tax losses	3,191	(14.5)	9,993	6.9	13,184	10.7
Income not subject to tax	(423)	1.9	(827)	(0.6)	(1,250)	(1.0)
Expenses not deductible for tax	857	(3.9)	315	0.2	1,172	0.9
Tax charge at the Group's effective rate	—	—	33,768	23.0	33,768	27.1

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2010: 25%).

10. INCOME TAX *(continued)*

Notes:

(a) One (2010: one) subsidiary was subject to tax concessions in 2011. The total taxable profit of the subsidiary that was subject to tax concessions amounted to approximately HK$107,937,000 (2010: HK$87,645,000). It was granted tax concessions by the state tax bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which this subsidiary would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

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

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of HK$38,441,000 (2010: loss of HK$11,254,000), which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2011 and 31 December 2010.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the consolidated profit for the year attributable to owners of the parent of approximately HK$144,072,000 (2010: HK$89,402,000) and the weighted average number of ordinary shares in issue throughout the year of 1,196,261,000 (2010: 1,131,389,000).

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

The calculation of the diluted earnings per share amount for the year ended 31 December 2010 was based on the profit attributable to ordinary equity holders of the parent for that year of approximately HK$89,402,000 and on the number of ordinary shares of 1,131,397,000, being the weighted average of 1,131,389,000 ordinary shares in issue during that year, as used in the basic earnings per share calculation, plus the weighted average of 8,000 ordinary shares assumed to be issued at no consideration on the deemed exercise of the share options during that year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2011	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
1 January 2011	498,158	973,785	23,632	25,568	1,521,143
Additions	11,368	16,959	5,337	109,367	143,031
Acquisition of subsidiaries *(note 32)*	139,220	151,312	999	3,048	294,579
Surplus on revaluation	51,881	–	–	–	51,881
Disposals	–	(1,452)	(791)	–	(2,243)
Transfers	25,877	68,546	81	(94,504)	–
Exchange realignment	28,243	59,773	1,150	1,560	90,726
At 31 December 2011	754,747	1,268,923	30,408	45,039	2,099,117
Accumulated depreciation:					
1 January 2011	65,901	285,467	12,083	–	363,451
Depreciation provided during the year	19,534	80,381	4,573	–	104,488
Disposals	–	(1,100)	(774)	–	(1,874)
Exchange realignment	4,018	17,407	581	–	22,006
At 31 December 2011	89,453	382,155	16,463	–	488,071
Net book value:					
At 31 December 2011	665,294	886,768	13,945	45,039	1,611,046
At 31 December 2010	432,257	688,318	11,549	25,568	1,157,692
Analysis of cost or valuation:					
At cost	–	886,768	13,945	45,039	945,752
At 31 December 2011 valuation	665,294	–	–	–	665,294
	665,294	886,768	13,945	45,039	1,611,046

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

Group

31 December 2010	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
1 January 2010	464,512	918,208	19,354	59,612	1,461,686
Additions	564	8,989	7,373	15,344	32,270
Disposals	(40)	(2,178)	(3,448)	–	(5,666)
Transfers	23,249	27,509	–	(50,758)	–
Exchange realignment	9,873	21,257	353	1,370	32,853
At 31 December 2010	498,158	973,785	23,632	25,568	1,521,143
Accumulated depreciation:					
1 January 2010	46,664	203,899	11,274	–	261,837
Depreciation provided during the year	18,179	78,286	3,856	–	100,321
Disposals	(15)	(1,405)	(3,268)	–	(4,688)
Exchange realignment	1,073	4,687	221	–	5,981
At 31 December 2010	65,901	285,467	12,083	–	363,451
Net book value:					
At 31 December 2010	432,257	688,318	11,549	25,568	1,157,692
At 31 December 2009	417,848	714,309	8,080	59,612	1,199,849
Analysis of cost or valuation:					
At cost	14,409	688,318	11,549	25,568	739,844
At 31 December 2009 valuation	417,848	–	–	–	417,848
	432,257	688,318	11,549	25,568	1,157,692

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

At 31 December 2011, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately HK$665,294,000. A surplus on revaluation of approximately HK$51,881,000 arising from the 2011 valuation has been credited to the asset revaluation reserve during the year ended 31 December 2011.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$578,436,000 (31 December 2010: HK$397,280,000).

At 31 December 2011, no leasehold building of the Group was pledged to secure banking facilities granted to the Group (2010: Nil).

At 31 December 2011, the applications of building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$23,276,000 (31 December 2010: HK$4,469,000) were still in progress.

15. PREPAID LAND LEASE PAYMENTS

	Notes	Group 2011 HK$'000	2010 HK$'000
Carrying amount at 1 January		111,398	113,796
Additions		6,111	—
Acquisition of subsidiaries	32	97,329	—
Amortised during the year	6	(5,796)	(5,252)
Exchange realignment		7,422	2,854
Carrying amount at 31 December		216,464	111,398
Current portion included in prepayments, deposits and other receivables		(7,059)	(5,252)
Non-current portion		209,405	106,146

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

16. GOODWILL

	Group 2011 HK$'000	2010 HK$'000
Cost and net carrying amount at 1 January and 31 December:	183,538	183,538

Impairment testing of goodwill

Certain of the Group's goodwill related to Changchun Dihao Food Development Co., Ltd. (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 fifteen-year period. The discount rate applied to cash flow projections is 13% (2010: 13%). No growth has been projected beyond the five-year period.

In addition, certain of the Group's goodwill related to Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") which was acquired by the Group during the year ended 31 December 2008. The recoverable amount of Jinzhou Yuancheng has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2010: 13%). No growth has been projected beyond the five-year period.

16. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Key assumptions were used in the value in use calculation of cash-generating units for 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local markets from where raw materials are sourced.

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

17. OTHER INTANGIBLE ASSETS

	Golf club membership HK$'000	**Trademarks** HK$'000	**Total** HK$'000
At 1 January 2010, 31 December 2010 and 1 January 2011	—	—	—
Additions	3,243	6,098	9,341
Amortisation provided during the year	—	(25)	(25)
At 31 December 2011	3,243	6,073	9,316
At 31 December 2011:			
Cost	3,243	6,098	9,341
Accumulated amortisation	—	(25)	(25)
Net carrying amount	3,243	6,073	9,316

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 **HK$'000**	2010 HK$'000
Unlisted shares	**791,713**	508,391

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners Investments Limited ("Global Sweeteners")	British Virgin Islands	US$100	100	Investment holding
Global Sweeteners (China) Limited ("GS (China)")	British Virgin Islands	US$2	100	Investment holding
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000	100	General administration
Global Sweeteners Retail Investment Company Limited	Hong Kong	HK$10,000	100	Investment holding
Global Starch Investments Limited	Hong Kong	HK$10,000	100	Investment holding
Global Sweeteners Investments Limited	Hong Kong	HK$1	100	Investment holding
Global Starch (BVI) Investments Limited#	British Virgin Islands	US$1	100	Investment holding
Indirectly held:				
Datex Investment Limited	Hong Kong	HK$2	100	Investment holding
Eternal Win Investments Limited	British Virgin Islands	US$2	100	Investment holding
Global Sorbitol (H.K) Company Limited	Hong Kong	HK$1,550	100	Investment holding
Global Sweeteners (China) Limited	Hong Kong	HK$1,000	100	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd.*	The People's Republic of China (the "PRC")/ Mainland China	RMB81,000,000	100	Manufacture and sale of corn based sweetener products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/Mainland China	US$49,504,000	100	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.* ("Hao Cheng")	PRC/Mainland China	US$6,668,000	100	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.* ("Dihao Crystal")	PRC/Mainland China	US$22,200,000	100	Manufacture and sale of crystallised sugar
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/Mainland China	US$7,770,000	100	Manufacture and sale of corn based sweetener products
Dalian Angus Beef Co., Ltd.	PRC/Mainland China	RMB12,000,000	95	Breeding of cattle and sale of beef

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(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
Global Sweeteners Trade Development (Dalian) Co. Ltd. *	PRC/Mainland China	US$4,100,000	100	International trading, exhibition and consultation
Changchun Jincheng Corn Development Co., Ltd. #	PRC/Mainland China	RMB98,700,000	100	Manufacture and sale of corn refined products
Global Starch (Changchun) Investments Limited #	Hong Kong	HK$10,000	100	Investment holding
Longjiang GSH Grains Co., Ltd. @	PRC/Mainland China	RMB12,000,000	100	Corn procurement
Beipiao GSH Grains Trading Co., Ltd. @	PRC/Mainland China	RMB3,000,000	100	Corn procurement

* Wholly-foreign-owned enterprise
@ Established during the year
# Acquired during the year

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

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK$'000	2010 HK$'000
Share of net assets	59,087	57,372
Loan to a jointly controlled entity	40,000	40,000
	99,087	97,372

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

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Particulars of the jointly controlled entities are as follows:

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

* Wholly-foreign-owned enterprise

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

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

	2011 HK$'000	2010 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	66,823	68,962
Non-current assets	16,913	17,430
Current liabilities	(23,834)	(28,205)
Non-current liabilities	(815)	(815)
Net assets	59,087	57,372

	2011 HK$'000	2010 HK$'000
Share of the jointly controlled entities' results:		
Revenue	43,878	73,818
Other income	831	1,101
	44,709	74,919
Total expenses	(47,307)	(73,405)
Tax	—	(149)
Profits/(losses) after tax	(2,598)	1,365
Statutory reserve	—	(169)
Share of profits/(losses) of joint controlled entities	(2,598)	1,196

20. BIOLOGICAL ASSETS

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

Group

	2011 HK$'000	2010 Units
Breeding biological assets	9,007	7,535
Trading biological assets	1,573	1,948
	10,580	9,483

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

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

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

Group

	2011 HK$'000
Breeding cattle	
At 1 January	7,535
Increase due to purchases	1,948
Decrease due to disposal *(note 6)*	(762)
Loss arising from changes in fair value less costs to sell *(note 6)*	(174)
Exchange realignment	460
At 31 December	9,007
Trading cattle	
At 1 January	1,948
Decrease due to sales	(839)
Decrease due to disposal *(note 6)*	(66)
Gain arising from changes in fair value less costs to sell *(note 6)*	412
Exchange realignment	118
At 31 December	1,573

21. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Raw materials	1,010,924	510,525
Finished goods	154,687	75,456
	1,165,611	585,981

22. TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Trade receivables	535,421	360,000
Bills receivables	259,963	146,041
Impairment	(12,703)	(2,795)
	782,681	503,246

The Group normally allows credit terms of 90 days to established customers, and credit terms of 180 days were allowed to three major customers with long term business relationships and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from one customer located in Mainland China which accounted for 7% of the total trade and bills receivables as at 31 December 2011 (31 December 2010: 17%).

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

	Group 2011 HK$'000	2010 HK$'000
Within 1 month	322,207	233,224
1 to 2 months	190,508	96,234
2 to 3 months	40,431	55,397
Over 3 months	229,535	118,391
	782,681	503,246

22. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Notes	2011 HK$'000	2010 HK$'000
At 1 January		2,795	2,680
Impairment losses recognised	6	12,454	2,299
Impairment losses reversed	6	(278)	(1,866)
Amount written off as uncollectible		(2,439)	—
Exchange realignment		171	(318)
		12,703	2,795

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$12,454,000 (2010: HK$2,299,000) with a carrying amount before provision of HK$68,593,000 (2010: HK$7,910,000).

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

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

	Group	
	2011 HK$'000	2010 HK$'000
Neither past due nor impaired	596,151	414,349
Less than 1 month past due	83,813	17,003
1 to 3 months past due	30,002	11,243
Over 3 months past due	72,715	60,651
	782,681	503,246

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

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

Two subsidiaries have pledged trade receivables and bills receivables of approximately HK$28,067,000 and HK$88,565,000, respectively (2010: Both nil) to secure bank loans.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Current:				
Prepayments	1,101	1,018	303	310
Deposits and other receivables	37,013	23,237	—	71
PRC value-added tax ("VAT") receivables and other tax receivables	8,021	21,482	—	—
Current portion of prepaid land lease payments	7,059	5,252	—	—
	53,194	50,989	303	381
Non-current:				
Prepayments	8,435	—	—	—

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

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash and bank balances	444,670	327,154	41,832	160,133
Time deposits	52,146	50,405	52,146	50,405
Cash and cash equivalent	496,816	377,559	93,978	210,538

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$409,328,000 (31 December 2010: HK$135,394,000). the RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. TRADE PAYABLES

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

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

	Group	
	2011 HK$'000	2010 HK$'000
Within 1 month	45,130	105,262
1 to 2 months	6,210	11,532
2 to 3 months	7,145	941
Over 3 months	2,267	5,115
	60,752	122,850

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Payables for purchases of machinery	47,851	21,649	–	–
Customer deposits/receipts in advance	63,970	57,790	–	–
VAT and other duties payable	35,287	14,686	–	–
Accrued welfare and others	60,333	39,446	15,355	12,861
	207,441	133,571	15,355	12,861

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

27. INTEREST-BEARING BANK BORROWINGS

Group

	31 December 2011 Effective interest rate %	31 December 2011 Maturity	31 December 2011 HK$'000	31 December 2010 Effective interest rate %	31 December 2010 Maturity	31 December 2010 HK$'000
Current						
Bank loans – unsecured	2.4-7.26/ HIBOR	On demand/ 2012	1,626,951	2.40-5.84/ HIBOR	On demand/ 2011	564,943
Bank loans – secured	6.56	2012	104,098	–	–	–
Long term bank loan repayable on demand – unsecured	7.87	On demand	22,496	HIBOR	On demand	50,000
Non-current						
Bank loans – unsecured	6.65-6.98	2013/2014	78,358	5.31-5.40	2012	264,368
			1,831,903			879,311

Company

	31 December 2011 Effective interest rate %	31 December 2011 Maturity	31 December 2011 HK$'000	31 December 2010 Effective interest rate %	31 December 2010 Maturity	31 December 2010 HK$'000
Current						
Bank loans – unsecured	HIBOR	On demand	80,000	HIBOR	On demand	50,000
Long term bank loans repayable on demand – unsecured	HIBOR	On demand	–	HIBOR	On demand	50,000
			80,000			100,000

	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	1,753,545	614,943	80,000	100,000
In the second year	58,537	264,368	–	–
In the third to fifth years	19,821	–	–	–
	1,831,903	879,311	80,000	100,000

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

At 31 December 2011, the Group's bank borrowings were guaranteed by the Company, the Company's ultimate holding company and certain subsidiaries of the Group with the amounts of approximately HK$503,293,000 (31 December 2010: HK$664,368,000), HK$668,902,000 (31 December 2010:Nil) and HK$555,610,000 (31 December 2010: HK$214,943,000) respectively.

27. INTEREST-BEARING BANK BORROWINGS *(continued)*

Certain of the Group's bank loan are secured by the pledge of certain of the Group's trade receivables and bills receivables amounting to HK$28,067,000 and HK$88,565,000 respectively (2010: Nil).

During the year, the Group was granted a loan facility of HK$80,000,000 by a bank which was repayable within one year. Pursuant to the loan facility agreement, a termination event would arise, if among others, (i) the Group issues new shares more than 5% of the existing shareholdings of the Group and (ii) the Group cannot meet the financial covenants as set out in the banking facility agreement. At the end of the reporting period, the Group was unable to comply with both of the above covenants. The directors have been taking action to rectify the non-compliance. On 28 December 2011, the lender had confirmed in writing the relaxation of the breached covenants of (i) only. Subsequent to the end of the reporting period, the Company has made arrangement to repay the loan in full by the end of June 2012.

28. DEFERRED TAX

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

Deferred tax liabilities — Group	**Depreciation allowance in excess of related depreciation**	**Fair value adjustments arising from acquisition of subsidiaries**	**Revaluation of leasehold buildings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	19,653	26,541	7,100	53,294
Deferred tax charged to profit or loss during the year *(note 10)*	4,180	—	—	4,180
Deferred tax charged to other comprehensive income during the year	1,024	—	—	1,024
At 31 December 2010 and 1 January 2011	24,857	26,541	7,100	58,498
Deferred tax charged to profit or loss during the year *(note 10)*	3,186	—	—	3,186
Deferred tax charged to other comprehensive income during the year	—	—	12,970	12,970
Acquisition of subsidiaries *(note 32)*	—	20,412	—	20,412
Exchange realignment	2,997	—	—	2,997
At 31 December 2011	31,040	46,953	20,070	98,063

Deferred tax assets – Group	**Inventories provision**
	HK$'000
At 1 January 2010	26
Deferred tax charged to profit or loss during the year *(note 10)*	569
At 31 December 2010 and 1 January 2011	595
Deferred tax credited to profit or loss during the year *(note 10)*	788
At 31 December 2011	1,383

28. DEFERRED TAX *(continued)*

The Group had accumulated tax losses arising in Hong Kong of approximately HK$33,773,000 (2010: HK$22,420,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in two PRC subsidiaries of approximately HK$19,351,000 (2010: HK$35,222,000) that were available for offsetting against future taxable profits of the companies in which the losses arose and these tax losses would expire from the year ending 31 December 2012 to the year ending 31 December 2016. In the opinion of the directors, deferred tax assets have not been recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

At 31 December 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$478,442,000 at 31 December 2011 (2010: HK$406,502,000).

29. SHARE CAPITAL

Shares

	2011 HK$'000	2010 HK$'000
Authorised: 100,000,000,000 (31 December 2010: 100,000,000,000) ordinary shares of HK$0.10 each	10,000,000	10,000,000
Issued and fully paid: 1,527,586,000 (31 December 2010: 1,149,478,000) ordinary shares of HK$0.10 each	152,759	114,948

As at the reporting date, the issued and fully paid share capital was 1,527,586,000 ordinary shares of HK$0.10 each. The movements in the issued share capital were as follows:

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

(2) On 17 November 2011, 377,778,000 new shares of HK$0.1 each was issued as the consideration for the acquisition of 100% equity interests in Global Starch (BVI) Investments Limited as detailed in Note 32.

30. SHARE OPTION SCHEME

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

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

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

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

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

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

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

	2011		2010	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	1.59	3,330	1.53	3,698
Granted during the year	0.59	31,400	—	—
Forfeited during the year	1.59	(3,000)	0.99	(164)
Exercised during the year	1.59	(330)	0.99	(204)
At 31 December	0.59	31,400	1.59	3,330

30. SHARE OPTION SCHEME *(continued)*

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

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

2010 Exercise period	Grant date	The closing price immediately preceding the date of grant HK$	Exercise price* HK$	Number of options '000
7-7-2008 to 6-7-2011	7-7-2008	1.63	1.59	3,330

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

The fair value of the share options granted during the year was HK$18,526,000 (HK$0.59 each) (2010: Nil) of which the Group recognised a share option expense of HK$18,526,000 during the year ended 31 December 2011.

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

	Date of exercise 11 July 2011
Dividend yield (%)	1.00
Expected volatility (%)	63.00
Risk-free interest rate (%)	1.44
Expected life of options (month)	60
Weighted average share price (HK$)	1.67

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

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

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

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 42 to 43 of the financial statements.

(b) Company

	Contributed surplus HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2010	491,695	579,388	1,667	123,331	–	10,493	1,206,574
Loss of the year	–	–	–	(11,254)	–	–	(11,254)
Other comprehensive income for the year	–	–	–	–	(8,048)	–	(8,048)
Final 2009 dividend declared	–	–	–	(1,001)	–	(10,493)	(11,494)
Issue of shares	–	173,498	–	–	–	–	173,498
Transfer of the share option reserve upon the forfeiture of share options	–	54	(97)	43	–	–	–
Share options exercised	–	181	–	–	–	–	181
At 31 December 2010 and 1 January 2011	491,695	753,121	1,570	111,119	(8,048)	–	1,349,457
Loss of the year	–	–	–	(38,441)	–	–	(38,441)
Other comprehensive income for the year	–	–	–	–	(22,209)	–	(22,209)
Issue of shares	–	321,111	–	–	–	–	321,111
Equity-settled share option arrangements	–	–	18,526	–	–	–	18,526
Transfer of the share option reserve upon the forfeiture of share options	–	–	(1,414)	1,414	–	–	–
Share options exercised	–	647	(156)	–	–	–	491
At 31 December 2011	491,695	1,074,879	18,526	74,092	(30,257)	–	1,628,935

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

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

32. BUSINESS COMBINATION

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

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

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

	Notes	**Fair value recognisation acquisition** HK$'000
Property, plant and equipment	14	294,579
Prepaid land lease payment	15	97,329
Inventories		591,866
Trade receivables		156,227
Prepayments and other receivables		16,651
Tax recoverable		4,878
Cash and bank balances		7,814
Due from fellow subsidiaries		526,591
Due to fellow subsidiaries		(509,289)
Due to the ultimate holding company		(17,727)
Bank borrowings		(668,902)
Trade payables		(13,666)
Accruals and other payables		(80,545)
Deferred income		(1,128)
Deferred tax liabilities	28	(20,412)
Total identifiable net assets at fair value		384,266
Gain on bargain purchase recognised in the consolidated statement of comprehensive income		(25,377)
Satisfied by:		
Fair value of shares issued		358,889

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

32. BUSINESS COMBINATION *(continued)*

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

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

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

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

Since the acquisition, the GSIL Group contributed HK$68,481,000 to the Group's turnover and HK$585,000 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$5,967,310,000 and HK$174,518,000 respectively.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

As detailed in note 32, the purchase consideration for the acquisition of the GSIL Group was satisfied by the allotment and issue of 377,778,000 new shares of the Company at an issue price of HK$1.35 per share.

34. CONTINGENT LIABILITIES

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

The Company provided guarantees for banking facilities granted to certain subsidiaries. These subsidiaries utilised the banking facilities to the extent of approximately HK$527,684,000 as at 31 December 2011 (31 December 2010: HK$664,368,000).

35. COMMITMENTS

At 31 December 2011, the Group had capital commitments as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Contracted, but not provided for:		
Leasehold buildings	19,287	26,291
Plant and machinery	25,241	6,698
	44,528	32,989

The Company did not have any other significant commitments as at 31 December 2011.

36. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	2011 HK$'000	2010 HK$'000
Purchases from fellow subsidiaries			
— Corn starch	(a)	865,763	794,778
Sales to fellow subsidiaries			
— Corn sweeteners	(b)	730,120	634,798
Sale to a jointly controlled entity			
— Corn starch	(b)	28,507	28,408
Reimbursement of cost of utilities provided by a fellow subsidiary	(c)	112,240	87,697
Reimbursement of cost of utilities provided to a jointly controlled entity	(c)	5,684	9,714
Agency fee charged by a fellow subsidiary	(d)	6,041	3,133

Notes:

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

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

(c) The Group used the utilities facilities provided by a fellow subsidiary and a jointly controlled entity used the utilities facilities provided by the Group. Reimbursement of such utilities costs was paid to the fellow subsidiary and the Group based on the actual costs incurred.

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

36. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Other transactions with related parties:

(a) During the year, the Group acquired GSIL BVI and its subsidiaries from a subsidiary of the Company's ultimate holding company at a consideration satisfied by the Company through the allotment and issue of 377,778,000 new shares of the Company at an issue price of HK$1.35 per share and the shareholder loans at a consideration of HK$1. Further details of the transaction are included in note 32 to the financial statements.

(b) The Company's ultimate holding company has guaranteed certain bank loans made to a subsidiary of the Group of up to HK$668,902,000 (2010: nil) as at the end of the reporting period, as further detailed in note 27 to the financial statements.

(iii) Balances with related parties:

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 approximated to their fair values at the end of each reporting period. At 31 December 2011, approximately HK$469,758,000 (31 December 2010: HK$129,535,000) of the balances due from fellow subsidiaries and approximately HK$452,043,000 (31 December 2010: HK$92,586,000) of the balances due to fellow subsidiaries arose from trading activities.

The following table sets out the aged analysis of the trade nature portions of amounts due from fellow subsidiaries as at 31 December 2011 and 31 December 2010, respectively.

	Group	
	2011 HK$'000	2010 HK$'000
Trade nature		
Amounts due from fellow subsidiaries:		
Within 3 months	166,766	82,229
Over 3 months but less than 6 months	96,786	1,538
Over 6 months but less than 1 year	78,302	33,767
Over 1 year	127,904	12,001
Total	469,758	129,535

36. RELATED PARTY TRANSACTIONS *(continued)*

(iii) Balances with related parties: *(continued)*

The following table sets out the aged analysis of the trade nature portions of amounts due to fellow subsidiaries as at 31 December 2011 and 31 December 2010, respectively.

	Group	
	2011	2010
	HK$'000	HK$'000
Trade nature		
Amounts due to fellow subsidiaries:		
Within 3 months	**11,677**	32,331
Over 3 months but less than 6 months	**133,496**	—
Over 6 months but less than 1 year	**194,645**	—
Over 1 year	**112,225**	60,255
Total	**452,043**	92,586

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

	2011	2010
	HK$'000	HK$'000
Short term employee benefits	**11,654**	8,940
Post-employment benefits	**24**	24
Equity-settled share option expense	**10,620**	—
Total compensation paid to key management personnel	**22,298**	8,964

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Group	
	2011	2010
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Trade and bills receivables	**782,681**	503,246
Financial assets included in prepayments, deposits and other receivables	**37,013**	23,237
Due from jointly controlled entities	**731**	3,110
Due from the immediate holding company	**21,086**	21,086
Due from fellow subsidiaries	**645,696**	172,085
Cash and cash equivalents	**496,816**	377,559
Total	**1,984,023**	1,100,323

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Group 2011 Financial liabilities at amortised cost HK$'000	Group 2010 Financial liabilities at amortised cost HK$'000
Trade payables	60,752	122,850
Financial liabilities included in other payables and accruals	108,184	61,095
Interest-bearing bank borrowings	1,831,903	879,311
Due to fellow subsidiaries	522,725	128,466
Due to the ultimate holding company	24,896	3,417
Due to jointly controlled entities	—	17,299
Total	2,548,460	1,212,438

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

Financial assets

	Company 2011 Loans and receivables HK$'000	Company 2010 Loans and receivables HK$'000
Financial assets included in prepayments, deposits and other receivables	—	71
Due from the ultimate holding company	81,800	81,800
Due from subsidiaries	1,336,132	1,139,458
Cash and cash equivalents	93,387	210,538
Total	1,511,319	1,431,867

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Company	
	2011 Financial liabilities at amortised cost HK$'000	2010 Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payable and accruals	15,355	12,861
Due to subsidiaries	418,901	358,360
Interest-bearing bank borrowings	80,000	100,000
Financial guarantee contracts	7,976	4,942
Total	522,232	476,163

38. FAIR VALUE

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

Financial assets

Group

	Carrying amounts		Fair values	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade and bills receivables	782,681	503,246	782,681	503,246
Financial assets included in prepayments, deposits and other receivables	37,013	23,237	37,013	23,237
Due from jointly controlled entities	731	3,110	731	3,110
Due from the immediate holding company	21,086	21,086	21,086	21,086
Due from fellow subsidiaries	645,696	172,085	645,696	172,085
Cash and cash equivalents	496,816	377,559	496,816	377,559
	1,984,023	1,100,323	1,984,023	1,100,323

38. FAIR VALUE *(continued)*

Financial assets *(continued)*

Company

	Carrying amounts		Fair values	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Financial assets included in prepayments, deposits and other receivables	—	71	—	71
Due from the ultimate holding company	81,800	81,800	81,800	81,800
Due from subsidiaries	1,336,132	1,139,458	1,336,132	1,139,458
Cash and cash equivalents	93,387	210,538	93,387	210,538
	1,511,319	1,431,867	1,511,319	1,431,867

Financial liabilities

Group

	Carrying amounts		Fair values	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade payables	60,752	122,850	60,752	122,850
Financial liabilities included in other payables and accruals	108,184	61,095	108,184	61,095
Interest-bearing bank borrowings	1,831,903	879,311	1,831,903	879,311
Due to fellow subsidiaries	522,725	128,466	522,725	128,466
Due to the ultimate holding company	24,896	3,417	24,896	3,417
Due to jointly controlled entities	—	17,299	—	17,299
	2,548,460	1,212,438	2,548,460	1,212,438

Company

	Carrying amounts		Fair values	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Financial liabilities included in other payable and accruals	15,355	12,861	15,355	12,861
Due to subsidiaries	418,901	358,360	418,901	358,360
Interest-bearing bank borrowings	80,000	100,000	80,000	100,000
Financial guarantee contracts	7,976	4,942	7,976	4,942
	522,232	476,163	522,232	476,163

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

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

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

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

	Group			Company	
	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*	%	*HK$'000*
2011					
Hong Kong dollar	1	(6,374)	(4,905)	1	(668)
Hong Kong dollar	(1)	6,374	4,905	(1)	668
2010					
Hong Kong dollar	1	(5,390)	(4,184)	1	(1,000)
Hong Kong dollar	(1)	5,390	4,184	(1)	1,000

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

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade and bills 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 22 and 23 to the financial statements.

Liquidity risk

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

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

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

Year ended 31 December 2011 — The Group

	On Demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 Years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	60,752	—	—	—	—	60,752
Other payables	108,184	—	—	—	—	108,184
Interest-bearing bank borrowings	102,496	167,513	1,427,872	206,137	—	1,904,018
Due to fellow subsidiaries	522,725	—	—	—	—	522,725
Due to the ultimate holding company	24,896	—	—	—	—	24,896
	819,053	167,513	1,427,872	206,137	—	2,620,575

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

Liquidity risk *(continued)*

Year ended 31 December 2010 — The Group

	On Demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 Years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade payables	122,850	—	—	—	—	122,850
Other payables	61,095	—	—	—	—	61,095
Interest-bearing bank borrowings	100,000	67,228	478,865	270,201	—	916,294
Due to fellow subsidiaries	128,466	—	—	—	—	128,466
Due to the ultimate holding company	3,417	—	—	—	—	3,417
Due to jointly controlled entities	17,299	—	—	—	—	17,299
	433,127	67,228	478,865	270,201	—	1,249,421

Year ended 31 December 2011 – The Company

	On Demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payables	15,355	—	—	—	—	15,355
Due to subsidiaries	418,901	—	—	—	—	418,901
Financial guarantee contracts	—	60,976	365,854	100,854	—	527,684
Interest-bearing bank borrowings	80,000	—	—	—	—	80,000
	514,256	60,976	365,854	100,854	—	1,041,940

Year ended 31 December 2010 – The Company

	On Demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payable	12,861	—	—	—	—	12,861
Due to subsidiaries	358,360	—	—	—	—	358,360
Financial guarantee contracts	—	57,471	342,529	264,368	—	664,368
Interest-bearing bank borrowings	100,000	—	—	—	—	100,000
	471,221	57,471	342,529	264,368	—	1,135,589

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

Capital management

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

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

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

	Group		Company	
31 December 2011	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Interest-bearing bank borrowings	1,831,903	879,311	80,000	100,000
Less: Cash and cash equivalents	(496,816)	(377,559)	(93,978)	(210,538)
Net debt	1,335,087	501,752	(13,978)	(110,538)
Equity	2,562,843	1,919,536	1,781,694	1,464,405
Gearing ratio	52%	26%	-1%	-8%

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2012.

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

	Year ended 31 December				
	2011 HK$'000 Consolidated	2010 HK$'000 Consolidated	2009 HK$'000 Consolidated	2008 HK$'000 Consolidated	2007 HK$'000 Combined
RESULTS					
REVENUE	4,414,077	3,356,264	2,668,767	1,693,975	1,471,122
Cost of sales	(3,856,689)	(2,978,038)	(2,361,562)	(1,411,543)	(1,155,610)
Gross profit	557,388	378,226	307,205	282,432	315,512
Other income and gain	62,882	28,556	18,624	54,599	18,607
Selling and distribution costs	(231,847)	(157,608)	(108,877)	(70,427)	(38,176)
Administrative expenses	(107,425)	(70,406)	(75,928)	(58,911)	(33,463)
Other expenses	(17,462)	(3,517)	(3,259)	1,779	(17,953)
Finance costs	(73,682)	(51,617)	(34,232)	(39,237)	(24,264)
Share of profits/(losses) of jointly controlled entities	(2,598)	1,196	3,312	5,677	8,758
PROFIT BEFORE TAX	187,256	124,830	106,845	175,912	229,021
Income tax expense	(43,926)	(33,768)	(20,643)	(21,542)	(35,355)
PROFIT FOR THE YEAR	143,330	91,062	86,202	154,370	193,666
Attributable to:					
Owners of the parent	144,072	89,402	85,681	154,370	193,666
Non-controlling interests	(742)	1,660	521	—	—
	143,330	91,062	86,202	154,370	193,666
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	5,338,321	3,274,321	2,853,882	2,677,196	2,157,877
TOTAL LIABILITIES	(2,775,388)	(1,347,409)	(1,218,087)	(1,151,672)	(877,409)
NON-CONTROLLING INTERESTS	(90)	(7,376)	(5,716)	—	—
	2,562,843	1,919,536	1,630,079	1,525,524	1,280,468

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kong Zhanpeng *(Chairman)*
Zhang Fazheng
Xu Zhouwen
Lee Chi Yung

Independent non-executive Directors

Chan Yuk Tong
Gao Yunchun
Ho Lic Ki

COMPANY SECRETARY

Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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

LEGAL ADVISERS

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

PRINCIPAL BANKER

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.global-sweeteners.com

STOCK CODE:

03889 HK
913889 TW