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GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS	2008	2007	Change %
Revenue (HK\$'Mn)	1,826	1,595	14.5
Gross Profit (HK\$'Mn)	300	335	(10.5)
Profit before tax (HK\$'Mn)	177	229	(22.7)
Net profit from ordinary activities attributable to shareholders (HK\$'Mn)	154	194	(20.3)
Basic earnings per share (HK cents)	14.8	18.5	(20.0)
Proposed final dividend per share (HK cents)	Nil	Nil	N/A

* for identification purposes only

The board (“Board”) of directors (“Directors”) of Global Sweeteners Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) and jointly-controlled entities for the year ended 31 December 2008 (the “Year”), together with the comparative figures in the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		2008	2007
	Notes	HK\$'000	HK\$'000
REVENUE	5	1,826,248	1,595,054
Cost of sales		<u>(1,526,632)</u>	<u>(1,260,400)</u>
Gross profit		299,616	334,654
Other income and gains	5	32,597	20,783
Excess over the cost of a business combination		23,703	—
Selling and distribution costs		(80,063)	(47,607)
Administrative expenses		(61,201)	(36,500)
Other expenses		1,705	(17,953)
Finance costs	7	<u>(39,240)</u>	<u>(24,356)</u>
PROFIT BEFORE TAX	6	177,117	229,021
Tax	8	<u>(22,747)</u>	<u>(35,355)</u>
PROFIT FOR THE YEAR		<u>154,370</u>	<u>193,666</u>
Attributable to:			
Equity holders of the Company		154,370	193,666
Minority interests		<u>—</u>	<u>—</u>
		<u>154,370</u>	<u>193,666</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9	<u>HK\$0.148</u>	<u>HK\$0.185</u>
Diluted	9	<u>HK\$0.148</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

		31 December	
		2008	2007
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,262,569	568,394
Prepaid land premiums		112,201	28,711
Deposits paid for acquisition of property, plant and equipment and land premiums		5,176	2,151
Goodwill		183,538	149,950
Deferred tax assets		987	—
Long term loan to a jointly-controlled entity		40,000	40,000
		<u>1,604,471</u>	<u>789,206</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		249,995	51,282
Trade receivables	11	255,179	225,237
Prepayments, deposits and other receivables		59,823	34,285
Due from jointly-controlled entities		1,305	26,141
Due from the immediate holding company		21,085	21,085
Due from fellow subsidiaries		45,456	130,634
Tax recoverable		11,133	—
Cash and cash equivalents		455,553	905,599
		<u>1,099,529</u>	<u>1,394,263</u>
Total current assets			
CURRENT LIABILITIES			
Trade payables	12	65,942	35,968
Other payables and accruals		104,397	56,462
Interest-bearing bank borrowings		341,573	156,250
Due to fellow subsidiaries		139,866	3,432
Due to a related company		86	55
Due to the ultimate holding company		168,539	54,284
Due to jointly-controlled entities		44	4,179
Due to the immediate holding company		—	180,338
Tax payable		10,346	8,564
		<u>830,793</u>	<u>499,532</u>
Total current liabilities			
NET CURRENT ASSETS		<u>268,736</u>	<u>894,731</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,873,207</u>	<u>1,683,937</u>

		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		280,899	368,750
Due to a venturer of a jointly-controlled entity		20,000	20,000
Deferred tax liabilities		46,784	14,719
		<u> </u>	<u> </u>
Total non-current liabilities		347,683	403,469
		<u> </u>	<u> </u>
Net assets		1,525,524	1,280,468
		<u> </u>	<u> </u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	104,500	104,500
Reserves		1,421,024	1,175,968
Proposed final dividend	10	—	—
		<u> </u>	<u> </u>
Total equity		1,525,524	1,280,468
		<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based sweetener products.

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

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

2.1 BASIS OF PREPARATION

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

The financial statement for the year ended 31 December 2007 had been prepared using the principle of merger accounting in accordance with Accounting Guideline 5 “*Merger Accounting for Common Control Combinations*” issued by the HKICPA, as if the Reorganisation had been completed as at the beginning of the year presented because the Company’s acquisition of the companies then comprising the Group should be regarded as a business combination under common control as the Company and all companies then comprising the Group are ultimately controlled by the ultimate holding company before and after the Reorganisation.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and its share of each jointly-controlled entity for the year ended 31 December 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments Disclosures — Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	HKFRS 2 — <i>Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	HKAS 19 — <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Estimation of fair value of leasehold buildings

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK\$183,538,000 (2007: HK\$149,950,000).

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the corn refined products segment comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products; and
- (b) the corn based sweetener products segment comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup ("HFCS"), crystallised glucose, maltodextrin and sorbitol.

Intersegment sales and transfers are transacted either with reference to the selling prices used for sales made to third parties at the then prevailing market prices or on a cost plus mark-up basis.

For the year ended 31 December 2007, no segment information had been disclosed because over 90% of the Group's operation related to the manufacture and sale of corn based sweetener products and over 90% of the Group's products were sold to customers located in Mainland China.

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Corn refined products		Corn based sweetener products		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	183,848	—	1,642,400	1,595,054	—	—	1,826,248	1,595,054
Intersegment sales	109,857	—	—	—	(109,857)	—	—	—
Total	293,705	—	1,642,400	1,595,054	(109,857)	—	1,826,248	1,595,054
Segment results	(24,181)	—	231,721	266,370	—	—	207,540	266,370
Unallocated revenue							32,597	20,783
Unallocated expenses							(23,780)	(33,776)
Profit from operating activities							216,357	253,377
Finance costs							(39,240)	(24,356)
Profit before tax							177,117	229,021
Tax							(22,747)	(35,355)
Profit for the year							154,370	193,666
Attributable to:								
Equity holders of the Company							154,370	193,666
Minority interests							—	—
							154,370	193,666
Assets and liabilities								
Segment assets	864,735	—	1,272,057	1,425,263	—	—	2,136,792	1,425,263
Due from jointly-controlled entities							41,305	66,141
Unallocated assets							525,903	692,065
Total assets							2,704,000	2,183,469
Segment liabilities	79,394	—	438,468	372,345	—	—	517,862	372,345
Interest-bearing bank borrowings							622,472	525,000
Unallocated liabilities							38,142	5,656
Total liabilities							1,178,476	903,001
Other segment information:								
Capital expenditure, including payment of land premiums	11,219	—	141,024	71,309	—	—	152,243	71,309
Depreciation	8,555	—	46,309	36,395	—	—	54,864	36,395
Amortisation of prepaid land premiums	528	—	1,501	1,038	—	—	2,029	1,038
Impairment losses reversed of trade receivables	—	—	(1,705)	—	—	—	(1,705)	—
Write-down/(write-back) of inventories to net realisable value	3,948	—	—	(6,190)	—	—	3,948	(6,190)
Excess over the cost of a business combination	—	—	23,703	—	—	—	23,703	—

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<u>Revenue</u>		
Sale of goods	<u>1,826,248</u>	<u>1,595,054</u>
<u>Other income and gains</u>		
Bank interest income	10,427	9,490
Net profit arising from sale of packing materials and by-products	9,983	9,201
Government grants*	9,769	—
Others	<u>2,418</u>	<u>2,092</u>
	<u>32,597</u>	<u>20,783</u>

* *Government grants represented sundry tax refunds awarded to certain subsidiaries located in Mainland China according to the notice of local tax bureau on an annual basis.*

6. PROFIT BEFORE TAX

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Raw materials and consumables used	1,292,739	1,117,696
Depreciation	54,864	36,395
Amortisation of prepaid land premiums	2,029	1,038
Auditors' remuneration	1,250	1,374
Employee benefits expenses, including direct labour costs as recorded in the cost of sales:		
Wages and salaries	32,219	17,922
Directors' remuneration	8,367	4,671
Pension scheme contributions	<u>941</u>	<u>1,645</u>
	<u>41,527</u>	<u>24,238</u>
Foreign exchange differences, net	334	(299)
Impairment losses reversed of trade receivables	(1,705)	—
Write-down/(write-back) of inventories to net realisable value	3,948	(6,190)
Gain on disposal of items of property, plant and equipment	<u>—</u>	<u>(72)</u>

7. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans		
wholly repayable within five years	31,722	24,328
Finance costs for discounting notes receivable	<u>7,518</u>	<u>28</u>
	<u>39,240</u>	<u>24,356</u>

8. 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.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current — Hong Kong	—	—
Current — Elsewhere	17,229	27,745
Deferred	<u>5,518</u>	<u>7,610</u>
Total tax charge for the year	<u>22,747</u>	<u>35,355</u>

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 — 2008

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>(23,740)</u>		<u>200,857</u>		<u>177,117</u>	
Tax at the statutory rate	(3,917)	16.5	50,214	25.0	46,297	26.1
Preferential tax rate offered (note (a))	—	—	(11,435)	(5.7)	(11,435)	(6.4)
Lower tax rate for tax relief granted (note (b))	—	—	(20,060)	(10.0)	(20,060)	(11.3)
Unrecognised tax losses	3,917	(16.5)	236	0.1	4,153	2.3
Tax return of purchase of domestic equipments	—	—	(9,918)	(4.9)	(9,918)	(5.6)
Expenses not deductible for tax	—	—	13,710	6.8	13,710	7.7
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>22,747</u>	<u>11.3</u>	<u>22,747</u>	<u>12.8</u>

Group — 2007

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

As of 1 January 2008, the Enterprise Income Tax Law of the People's Republic of China (the "EITL") became effective; therefore, the statutory tax rate for all subsidiaries in Mainland China is 25% for the year (2007: 33%).

Note:

- (a) Three (2007: one) subsidiaries and a jointly-controlled entity were subject to tax concessions in 2008. The total taxable profit of the subsidiaries and the jointly-controlled entity that are subject to tax concessions amounted to approximately HK\$158,685,000 (2007: HK\$34,301,000) in aggregate. They were granted tax concessions by the state tax bureau in accordance with the EITL and the corresponding transitional tax concession policy under which these subsidiaries 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) One (2007: one) subsidiary, which was granted Technologically Advanced Enterprise status and was entitled to a lower applicable tax rate under Article 75 of the Detailed Rules and Regulation for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, shall be gradually transitioned to the new statutory tax rate within a period of five years. As a result, the subsidiary enjoyed the corporate income tax rate of 15% in 2007 and is subject to the corporate income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

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

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to ordinary equity holders of the Company of approximately HK\$154,370,000 (2007: HK\$193,666,000) and the weighted average number of ordinary shares in issue throughout the Year of 1,045,000,000 (2007: 1,045,000,000).

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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 2008, 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 2008. Therefore, the diluted earnings per share amount was equal to the basic earnings per share amount for the year ended 31 December 2008.

No diluted earnings per share was presented as at 31 December 2007 as the Company did not have any dilutive ordinary shares outstanding during the year ended 31 December 2007.

10. DIVIDENDS

Pursuant to the board of directors' meeting held on 23 April 2009, no dividend was declared for the year ended 31 December 2008 (2007: Nil).

11. TRADE RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	255,184	226,822
Impairment	(5)	(1,585)
	<u>255,179</u>	<u>225,237</u>

The Group normally allows credit terms of 90 days to established customers, and credit terms of 180 days was allowed to two 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 receivables are non-interest-bearing. Significant concentrations of risk exists where the Group has material exposures to trade receivables from one customer located in Mainland China which accounted for 11% of the total trade receivables as at 31 December 2008 (2007: 32%).

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 1 month	119,276	132,134
1 to 2 months	68,128	57,969
2 to 3 months	34,179	20,542
Over 3 months	33,596	14,592
	<u>255,179</u>	<u>225,237</u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At 1 January	1,585	4,895
Amount written off as uncollectible	—	(3,616)
Impairment losses reversed	(1,705)	—
Exchange realignment	125	306
	<u>5</u>	<u>1,585</u>

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK\$5,000 (2007: HK\$1,585,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2008 HK\$'000	2007 HK\$'000
Neither past due nor impaired	234,805	210,645
Less than 1 month past due	7,505	8,970
1 to 3 months past due	2,902	5,622
Over 3 months past due	9,967	—
	<u>255,179</u>	<u>225,237</u>

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

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

12. TRADE PAYABLES

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

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

	2008 HK\$'000	2007 HK\$'000
Within 1 month	50,925	27,452
1 to 2 months	4,892	3,221
2 to 3 months	1,815	735
Over 3 months	8,310	4,560
	<u>65,942</u>	<u>35,968</u>

13. SHARE CAPITAL

Shares

	31 December 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<i>Authorised:</i>		
100,000,000,000 (31 December 2007: 100,000,000,000) ordinary shares of HK\$0.10 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>		
1,045,000,000 (31 December 2007: 1,045,000,000) ordinary shares of HK\$0.10 each	<u>104,500</u>	<u>104,500</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group and each of its jointly-controlled entities 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 three categories: corn syrup (glucose syrup, maltose syrup and HFCS), corn syrup solid (crystallised glucose and maltodextrin) and sugar alcohol (sorbitol).

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.

The operating environment since the second half of the Year has been very challenging, especially with the outbreak of melamine-tainted food incident in China and the global financial tsunami. It has imposed pressure on the selling prices and quantity of products sold by the Group, especially during the fourth quarter of the Year.

During the Year, the average price of corn kernels increased by 3.7% while the average selling price of corn starch decreased by 6.6% as compared to the previous year. The situation aggravated when the average selling price of corn starch plummeted by 12.3% in the fourth quarter of the Year comparing to the average of the first three quarters of the Year. As a result, the profitability of the upstream products was put under pressure. On the other hand, the quantity sold for corn sweeteners during the fourth quarter of the Year dropped by 31.2% as compared to the corresponding period in the previous year in response to the poor market sentiment.

FINANCIAL PERFORMANCE

The Group's consolidated revenue for the Year increased by approximately 14.5% to approximately HK\$1,826 million (2007: HK\$1,595 million) when compared to the previous year. Such increase was mainly attributable to the acquisition of the entire interest in a joint venture, namely, Changchun Dacheng Polyols Co., Ltd. ("CDP") and an enterprise in Jinzhou, namely, Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng"). However, the gross profit for the Year dropped by 10.5% to approximately HK\$300 million (2007: HK\$335 million), which was mainly caused by a gross loss of approximately HK\$12 million generated by Jinzhou Yuancheng. Consequently, the Group's net profit for the Year decreased by approximately HK\$40 million or approximately 20.3% to approximately HK\$154 million (2007: HK\$194 million).

Upstream products

(Sales amount: HK\$216 million (2007: Nil))

(Gross loss: HK\$12 million (2007: Nil))

On 24 September 2008, the Group completed the acquisition of Jinzhou Yuancheng, a corn refinery principally engaged in the manufacture and sale of corn starch and other corn refined products, from two subsidiaries 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”).

During the Year, the sales volume of corn starch and other corn refined products were approximately 69,000 metric tonnes (“MT”) (2007: Nil) and 38,000 MT (2007: Nil) respectively. Internal consumption of corn starch was approximately 49,000 MT (2007: Nil), which was used as raw material for the production in Jinzhou and Shanghai.

A gross loss margin of approximately 13.4% (2007: Nil) was recorded for the sales of corn starch while a gross profit margin of approximately 5.8% (2007: Nil) was recorded for the sales of other corn refined products. The gross loss of corn starch was mainly caused by the drop in market price of corn starch in the fourth quarter of the Year.

Nevertheless, the corn starch market has recovered since end of the first quarter of 2009. Corn starch price has rebounded from HK\$1,910 to HK\$2,360 since mid-March 2009. The management believes this will improve the operating environment of Jinzhou Yuancheng.

Corn syrup

(Sales amount: HK\$959 million (2007: HK\$1,228 million))

(Gross profit: HK\$170 million (2007: HK\$274 million))

During the Year, the sales volume of glucose syrup and maltose syrup decreased by 42.6% and 25.0% respectively while sales volume of HFCS increased by approximately 7.7% as compared to the previous year.

Internal consumption of glucose syrup increased to approximately 344,000 MT (2007: 193,000 MT) or by approximately 78.4% due to the enhancement of utilisation rate of crystallised glucose and sorbitol production facilities during the Year. As a result, the sales volume of both glucose syrup and maltose syrup decreased by approximately 42.6% and 25.0% respectively to approximately 233,000 MT and 152,000 MT (2007: 406,000 MT and 202,000 MT) respectively. Consequently, the revenue of glucose syrup and maltose syrup dropped by 34.6% and 10.0% respectively to approximately HK\$455 million (2007: HK\$696 million) and HK\$364 million (2007: HK\$405 million). The revenue of HFCS, on the other hand, grew by approximately 9.4% to approximately HK\$140 million (2007: HK\$128 million) during the Year with increased sales volume by 7.7% and average selling price by 1.5%.

Notwithstanding the decrease in the cost of corn starch which is the Group's principal raw material, the melamine incident and the global financial tsunami have adversely affected the demand for sweetener products and thus the production volume in the fourth quarter of the Year dropped by 24.4% as compared to the same period of 2007. This significantly increased the unit production cost of glucose syrup and maltose syrup by 18.8% and 31.8% respectively.

Under these circumstances, the gross profit margin for the sales of glucose syrup and maltose syrup declined from approximately 21.9% and 24.5% to approximately 19.4% and 17.7% respectively. While the drop of the gross profit margin of glucose syrup and maltose syrup was due to the increase in unit production cost for the fourth quarter of the Year. The gross profit margin of HFCS also dropped from 17.6% to 12.3% which was due to the low cane sugar price in China during the Year as there is a substitution effect between HFCS products and cane sugar.

During the Year, the Group sold approximately 22,000 MT of glucose syrup (2007: 84,000 MT) to GBT Group.

Corn syrup solid

(Sales amount: HK\$563 million (2007: HK\$355 million))

(Gross profit: HK\$122 million (2007: HK\$61 million))

The revenue of corn syrup solid increased substantially by approximately 58.6% during the Year, as a result of the increase in selling price of crystallised glucose and maltodextrin by 14.3% and 6.4% respectively and the increase in sales volume of crystallised glucose and maltodextrin by 120.2% and 12.1% respectively. Consequently, the revenue of crystallised glucose and maltodextrin increased by approximately 82.1% and 19.3% respectively to approximately HK\$405 million (2007: HK\$223 million) and HK\$158 million (2007: HK\$133 million) respectively.

With the increased sales volume, the gross profit of corn syrup solid grew substantially by 100.3%. During the Year, crystallised glucose recorded a gross profit of approximately HK\$102 million (2007: HK\$38 million) with a gross profit margin of 25.2% (2007: 17.1%). The enhancement of gross profit margin was mainly due to higher utilisation of the production facility and thus lowered the unit production cost. While for maltodextrin, as the cost of production increased in a faster rate than its selling price, the gross profit of maltodextrin dropped by approximately 13.7% to approximately HK\$20 million (2007: HK\$23 million), despite the increase in sales volume.

During the Year, the Group sold approximately 213,000 MT of crystallised glucose (2007: 39,000 MT) to the GBT Group.

Sugar alcohol

(Sales amount: HK\$88 million (2007: HK\$11 million))

(Gross profit: HK\$20 million (2007: HK\$0.3 million))

The revenue of sugar alcohol increased by 695.7% to approximately HK\$88 million (2007: HK\$11 million) while the gross profit increased by 6541.9% to approximately HK\$20 million (2007: HK\$0.3 million). Such increase in revenue and gross profit was a result of the enhancement of the utilisation of the sorbitol production lines. The sorbitol business has gone through the bottom of its business cycle and the price of sorbitol rebounded starting from the fourth quarter of 2007. The Group recommenced the production of sorbitol and gradually increased the production volume. On the other hand, in February 2008, the Company acquired the entire 49% interest of the sorbitol business from the joint venture partners; and upon its completion, 100% of the sorbitol revenue was consolidated. As a result, the sales volume of sorbitol attributable to the Group increased to approximately 27,000 MT (2007: 4,000 MT) during the Year. With higher selling price and lower cost due to economies of scale, gross profit margin for sorbitol increased substantially to 22.5% (2007: 2.7%).

During the Year, the Group sold approximately 6,000 MT of sorbitol (2007: 5,000 MT) to the GBT Group.

Export sales

The Group started exporting its sweetener products directly to overseas countries such as the Philippines, Nigeria, Korea and Peru in February 2008. Upon the completion of the acquisition of Jinzhou Yuancheng in September 2008, the Group also added upstream corn refined products in its export sales. During the Year, the Group exported approximately 12,000 MT (2007: Nil) of upstream corn refined products and 21,000 MT (2007: Nil) of corn sweeteners; the total export sales amounted to approximately HK\$32 million (2007: Nil) and HK\$69 million (2007: Nil) respectively.

Operating expenses and income tax

Due to the increase in sales volume and number of headcount of the Group, the operating expenses (other than finance costs) increased by 68.0%. The ratio of such operating expenses to turnover increased to 7.7% (2007: 5.3%), resulting mainly from the increase in selling expenses of approximately HK\$32 million and administrative expense of approximately HK\$14 million for the establishment of head office in Hong Kong since September 2007.

Finance costs of the Group increased to approximately HK\$40 million (2007: HK\$24 million) for the Year due to the increase in bank borrowings amounted to approximately HK\$315 million as a result of the acquisition of Jinzhou Yuancheng.

Since 1 January 2008, the statutory income tax rate for each of the subsidiaries and jointly-controlled entities decreased to 25% (2007: 33%). However, due to the increase in operating profit of one of the subsidiaries which is still entitled to full exemption from enterprise income tax in accordance with the prevailing income tax arrangement in the PRC, the overall effective tax rate of the Group decreased to approximately 12.8% (2007: 15.4%).

Performance of joint venture

As at 31 December 2008, the Group has one joint venture project with Cargill Inc., which is principally engaged in the manufacture and sale of HFCS. During the Year, this joint venture recorded an operating profit of approximately HK\$10 million (2007: HK\$14 million).

Net profit attributable to shareholders

As a result of the decrease in overall gross profit and the increase in selling and distribution costs, the net profit attributable to shareholders for the Year decreased by approximately 20.3% to approximately HK\$154 million (2007: HK\$194 million).

IMPORTANT TRANSACTIONS

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

As announced by the Company on 10 January 2008, the Group entered into a sale and purchase agreement on 8 January 2008 with Mitsui & Co., Ltd., Mitsui & Co. (H.K.) Ltd. and Nikken Fine Chemicals Co., Ltd. to acquire from them their respective entire interests in Global Sorbitol (H.K.) Company Limited (formerly known as Global-Nikken (H.K.) Company Limited) (principally engaged in the production and sale of sorbitol products) at an aggregate cash consideration of US\$2,450,000, which was payable by the Group upon completion. As Mitsui & Co., Ltd. and Mitsui & Co. (H.K.) Ltd. were substantial shareholders of Global-Nikken (H.K.) Company Limited before completion of the acquisition and hence, Mitsui & Co. Ltd. and Mitsui & Co. (H.K.) Ltd. were connected persons of the Company. As such, the acquisition constituted a connected transaction of the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The completion of the acquisition took place in February 2008 and as a result of the acquisition, Global Sorbitol (H.K.) Company Limited became a wholly-owned subsidiary of the Company. As a result, negative goodwill amounted to approximately HK\$24 million was recognised in the Group’s consolidated income statement for the Year.

The Directors believe that the acquisition will strengthen the operational efficiency and management flexibility on the Group’s overall production planning and human resources deployment.

Acquisition of a corn refinery

As announced by the Company on 4 July 2008, the Group entered into a sale and purchase agreement on 27 June 2008 with Global Corn Investments Limited and Changchun Dacheng Industrial Group Co., Ltd., both of which were wholly-owned subsidiaries of GBT (the controlling shareholder of the Company), to acquire their respective entire interests in Jinzhou Yuancheng (which is principally engaged in the manufacture and sale of corn starch and other corn refined products) at an aggregate consideration of HK\$520 million. The consideration was payable by way of cash amounted to HK\$156 million upon completion and the balance was payable by way of issuing of an unsecured loan note amounted to HK\$364 million to GBT Group upon completion, which shall be

due and repayable at the fifth anniversary of the date of issuance and bearing an interest rate of 6% per annum payable on a semi-annual basis. Pursuant to the Listing Rules, the acquisition constituted a major and connected transaction of the Company. The completion took place in September 2008, upon which Jinzhou Yuancheng became a wholly-owned subsidiary of the Company.

The Directors believe that the acquisition will enable the Group to secure a stable supply of corn starch for its production whilst achieving significant procurement cost savings in the long run. As at 31 December 2008, the loan note has been fully repaid and the outstanding unpaid consideration amounted to HK\$100 million.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group had net borrowings of approximately HK\$166 million (31 December 2007: net cash HK\$381 million) as at 31 December 2008 which was mainly due to the increase in bank borrowings amounted to approximately HK\$315 million as a result of the acquisition of Jinzhou Yuancheng.

Structure of interest bearing borrowings

As at 31 December 2008, the Group's bank borrowings amounted to approximately HK\$622 million (31 December 2007: HK\$525 million), of which 32.1% (31 December 2007: 57.0%) was denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Year remained at the similar level of approximately 6% (2007: 6%) per annum.

The percentage of interest bearing borrowings wholly repayable within one year and in the second to the fifth years were approximately 54.9% (31 December 2007: 29.8%) and 45.1% (31 December 2007: 70.2%) respectively. The change in repayment pattern mainly resulted from reallocation of certain long term bank borrowings to short term amounted to approximately HK\$200 million 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. As at 31 December 2008, out of the amounts due from fellow subsidiaries, approximately HK\$23 million representing the trade nature portion (31 December 2007: HK\$131 million) was taken into consideration in the calculation of trade receivables turnover days. During the Year, the trade receivables turnover days were improved to approximately 56 days (31 December 2007: 81 days) due to better credit control by the subsidiaries. Meanwhile, the outstanding balances of approximately HK\$21 million as at 31 December 2008 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 to approximately 21 days (31 December 2007: 11 days) as higher raw material level was maintained, which was in line with the change in inventory turnover days.

The inventory turnover days had lengthened from approximately 15 days for the year ended 31 December 2007 to approximately 60 days for the Year which was mainly attributable to the inventory level of the newly acquired Jinzhou Yuancheng, which amounted to approximately HK\$141 million.

The current ratio and the quick ratio as at 31 December 2008 dropped to approximately 1.32 (31 December 2007: 2.79) and 1.02 (31 December 2007: 2.69) respectively due to the increase in short term borrowings as a result of the acquisition of Jinzhou Yuancheng amounted to approximately HK\$90 million, repayment of long term bank borrowings amounted to HK\$100 million and certain long term bank borrowings amounted to HK\$200 million has been reallocated to short term during the Year. Gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity were approximately 23.1% (31 December 2007: 24.0%), 40.8% (31 December 2007: 41.0%) and 10.9% (31 December 2007: net cash to equity 29.7%) respectively. The gearing ratio remained at similar level except for net debts to equity which was changed from net cash since the bank borrowings increased by HK\$315 million as a result of the acquisition of Jinzhou Yuancheng. Interest coverage (i.e. EBITDA over finance costs) reduced to approximately 7.0 times (2007: 11.9 times) mainly due to increase in bank borrowings.

FOREIGN EXCHANGE EXPOSURE

Although most of the operations were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2008.

FUTURE PLANS AND PROSPECTS

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

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

Expansion of production capacity

During the year, the Group completed the construction of a new glucose production facility of 200,000 metric tonnes per annum (“mtpa”) in Jinzhou. Trial production commenced in December 2008. While in Changchun, the construction of a crystallised glucose production facility (with sorbitol production capability after modification conducted) commenced in the second half of 2008 and is expected to be completed by the end of second quarter of 2009. The new production line will add 40,000 mtpa to either the Group’s crystallised glucose capacity to 240,000 mtpa or sorbitol capacity to 100,000 mtpa.

The Directors estimate that substantial portion of the above expected capital expenditures has been incurred prior to the commencement of commercial production of each of the production facilities while the remaining amounts are expected to be settled within one year from the relevant commencement dates. These expansion plans of the Group have been principally financed by the internal resources of the Group and the Directors are of the view that the existing technology know-how of the Group is sufficient for such expansion.

On 6 March 2009, the Company announced that, in light of the current market condition and the slowdown of the world economy, the Directors have resolved to change the intended use of the unutilised net proceeds of HK\$331 million raised from the initial public offering of the Company’s shares in September 2007 to general working capital of the Company and repayment of bank borrowings. The Directors are of the view that such arrangement will reduce the finance cost of the Group and increase the Group’s flexibility in financial management. Accordingly, the projects set out in the section headed “Future plans and use of proceeds” of the Prospectus of the Company dated 10 September 2007 will be postponed in view of the current market condition. The Company will continue to observe the market movements and review from time to time the need and feasibility of capacity expansion.

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

Retail market

During the Year, the Group expanded its business line to the retail market and certain self-owned branded retail packaged consumable sweetener products were launched. During the Year, the Group incurred marketing expenses of approximately HK\$900,000. It is expected that such marketing expense for 2009 will be around HK\$1 million.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Net proceeds of approximately HK\$657 million were raised from the initial public offering of the Company's shares in September 2007. As at 31 December 2008, the Group had utilised a total of approximately HK\$119 million of the proceeds for the construction of a new glucose production plant in Jinzhou, approximately HK\$22 million for the construction of an additional crystallised glucose production line in Changchun and approximately HK\$135 million had been utilised to repay bank borrowings. Other than that, the Group had also utilised a total of approximately HK\$50 million of the proceeds for working capital in Hong Kong. The remaining proceeds were placed on short term deposits with licensed banks in Hong Kong. As announced by the Company on 6 March 2009, in order to better utilise the cashflow and to minimise unnecessary interest expenses of the Group, the Board resolved to reallocate about HK\$331 million of the net proceeds from the initial public offering of the Company originally designated for construction of new production facilities in Changchun and for the acquisition and/or construction of HFCS production facilities to general working capital of the Group and/or repayment of bank borrowings. The Board is of the opinion that such arrangement of the unutilised proceeds will reduce the finance cost of the Group and increase the Company's flexibility in its financial management.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2008, the Group had approximately 1,130 full time employees in Hong Kong and the PRC. The Group emphasizes 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. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

DIVIDENDS

The Board does not recommend the payment of dividends for the year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2009 to Friday, 29 May 2009, both days inclusive, during which period no transfer of shares will be registered.

Shareholders are reminded that in order to qualify for attending the annual general meeting, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 May 2009.

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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

During the year ended 31 December 2008, the Company has fully complied with all code provision 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 does not intend to adopt the recommended best practice of the Code to set up a nomination committee.

In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 23 April 2009, the Company adopted the code provisions set out in the Code ("New CG Code") contained in Appendix 14 to the Listing Rules with retrospective effect from 1 January 2009.

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. In light of various amendments to the Listing Rules, a revised written terms of reference of the Audit Committee by reference to the code provisions of the New CG Code were adopted on 23 April 2009 with retrospective effect from 1 January 2009. The Audit Committee comprises four independent non-executive Directors. The chairman of the Audit Committee is Mr. Yan Man Sing Frankie. The other members of the Audit Committee are Mr. Chan Yuk Tong, 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 during the Year.

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 annual financial statements of the Group for the year ended 31 December 2008.

ANNUAL GENERAL MEETING

The 2008 annual general meeting of the Company will be held on Friday, 29 May 2009 at 2:00 p.m. Notice of the 2008 annual general meeting will be published and issued to shareholders in due course.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by the Listing Rules, will be published on the websites of the Company (<http://www.global-sweeteners.com>) and the Stock Exchange (<http://www.hkex.com.hk>) in due course.

On behalf of the Board
Global Sweeteners Holdings Limited
Kong Zhanpeng
Chairman

Hong Kong, 23 April, 2009

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. KONG Zhanpeng, Mr. ZHANG Fazheng, Mr. ZHANG Fusheng and Ms. WANG Guifeng; and four independent non-executive Directors, namely, Mr. CHAN Yuk Tong, Mr. GAO Yunchun, Mr. HO Lic Ki and Mr. YAN Man Sing Frankie.