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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 2011 AND CHANGE OF USE OF PROCEEDS FROM THE COMPANY'S TDR ISSUE

FINANCIAL HIGHLIGHTS

	2011	2010	Change %
Revenue (HK\$'Mn)	4,414	3,356	31.5
Gross Profit (HK\$'Mn)	557	378	47.4
Profit before tax (HK\$'Mn)	187	125	50.0
Net profit from ordinary activities attributable to shareholders (HK\$'Mn)	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

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”) for the year ended 31 December 2011 (the “Year”), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
REVENUE	4	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	4	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	6	(73,682)	(51,617)
Share of profits/(losses) of jointly controlled entities		(2,598)	1,196
PROFIT BEFORE TAX	5	187,256	124,830
Income tax expense	7	(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		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	9	HK\$0.120	HK\$0.079
Diluted	9	HK\$0.120	HK\$0.079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,611,046	1,157,692
Prepaid land lease payments		209,405	106,146
Deposits paid for acquisition of property, plant and equipment		39,716	5,439
Goodwill		183,538	183,538
Other intangible assets		9,316	—
Prepayments, deposits and other receivables		8,435	—
Deferred tax assets		1,383	595
Breeding biological assets		9,007	7,535
Investments in jointly controlled entities		99,087	97,372
Total non-current assets		2,170,933	1,558,317
CURRENT ASSETS			
Inventories		1,165,611	585,981
Trade and bills receivables	10	782,681	503,246
Prepayments, deposits and other receivables		53,194	50,989
Trading biological assets		1,573	1,948
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 current assets		3,167,388	1,716,004
CURRENT LIABILITIES			
Trade payables	11	60,752	122,850
Other payables and accruals		207,441	133,571
Interest-bearing bank borrowings		1,753,545	614,943
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
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

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,740,482</u>	<u>2,249,778</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		78,358	264,368
Deferred tax liabilities		98,063	58,498
Deferred income		<u>1,128</u>	<u>—</u>
Total non-current liabilities		<u>177,549</u>	<u>322,866</u>
Net assets		<u>2,562,933</u>	<u>1,926,912</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>12</i>	152,759	114,948
Reserves		<u>2,410,084</u>	<u>1,804,588</u>
		2,562,843	1,919,536
Non-controlling interests		<u>90</u>	<u>7,376</u>
Total equity		<u>2,562,933</u>	<u>1,926,912</u>

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

(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.

- *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.

3. 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.

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
	<u>2,214,367</u>	<u>2,693,997</u>	<u>139,397</u>	<u>5,047,761</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(633,684)</u>
Revenue				<u>4,414,077</u>
Segment results	46,638	224,420	(2,259)	268,799
<i>Reconciliation:</i>				
Bank interest income				1,620
Unallocated gains				35,885
Corporate and other unallocated expenses				(45,366)
Finance costs				<u>(73,682)</u>
Profit before tax				<u>187,256</u>
Segment assets	2,291,781	2,726,168	129,319	5,147,268
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(920,426)
Cash and cash equivalents				496,816
Corporate and other unallocated assets				<u>614,663</u>
Total assets				<u>5,338,321</u>
Segment liabilities	248,994	962,141	120,617	1,331,752
<i>Reconciliation:</i>				
Elimination of intersegment payables				(920,426)
Interest-bearing bank borrowings				1,831,903
Unallocated liabilities				<u>532,159</u>
Total liabilities				<u>2,775,388</u>

Year ended 31 December 2011	Corn refined products <i>HK\$'000</i>	Corn based sweetener products <i>HK\$'000</i>	Biological products <i>HK\$'000</i>	Total <i>HK\$'000</i>
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.

Year ended 31 December 2010	Corn refined products <i>HK\$'000</i>	Corn based sweetener products <i>HK\$'000</i>	Biological products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	1,223,907	1,966,537	165,820	3,356,264
Intersegment sales	<u>386,998</u>	<u>—</u>	<u>—</u>	<u>386,998</u>
	1,610,905	1,966,537	165,820	3,743,262
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(386,998)</u>
Revenue				<u><u>3,356,264</u></u>
Segment results	100,737	73,083	3,308	177,128
<i>Reconciliation:</i>				
Bank interest income				933
Unallocated gains				27,623
Corporate and other unallocated expenses				(29,237)
Finance costs				<u>(51,617)</u>
Profit before tax				<u><u>124,830</u></u>
Segment assets	1,189,887	1,231,323	131,446	2,552,656
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(191,051)
Cash and cash equivalents				377,559
Corporate and other unallocated assets				<u>535,157</u>
Total assets				<u><u>3,274,321</u></u>
Segment liabilities	257,524	245,971	142,794	646,289
<i>Reconciliation:</i>				
Elimination of intersegment payables				(191,051)
Interest-bearing bank borrowings				879,311
Unallocated liabilities				<u>12,860</u>
Total liabilities				<u><u>1,347,409</u></u>

Year ended 31 December 2010	Corn refined products <i>HK\$'000</i>	Corn based sweetener products <i>HK\$'000</i>	Biological products <i>HK\$'000</i>	Total <i>HK\$'000</i>
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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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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.

4. 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	
	2011	2010
	HK\$'000	HK\$'000
Revenue		
Sale of goods	<u>4,414,077</u>	<u>3,356,264</u>
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	<u>13,083</u>	<u>7,018</u>
	37,505	28,556
Gain		
Gain on bargain purchase	<u>25,377</u>	<u>—</u>
	<u>62,882</u>	<u>28,556</u>

* 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.

5. PROFIT BEFORE TAX

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

		Group	
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
Cost of inventories sold		3,265,398	2,505,717
Depreciation		104,488	100,321
Amortisation of prepaid land lease payments		5,796	5,252
Auditors' remuneration		2,485	2,366
Changes in fair value of biological assets		(238)	2,940
Employee benefit expenses (excluding directors' remuneration)			
Wages and salaries		47,457	36,912
Equity-settled share option expense		5,546	—
Pension scheme contributions		6,243	4,019
		<u>59,246</u>	<u>40,931</u>
Foreign exchange differences, net		(8,690)	(3,673)
Gain on bargain purchase*		(25,377)	—
Impairment of trade and bills receivables	10	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		828	145
		<u><u>828</u></u>	<u><u>145</u></u>

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

		Group	
		2011	2010
		HK\$'000	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
		<u>73,682</u>	<u>51,617</u>

7. 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	2010
	HK\$'000	HK\$'000
Current — Hong Kong	—	—
Current — Elsewhere	41,528	30,157
Deferred	2,398	3,611
	<u> </u>	<u> </u>
Total tax charge for the year	43,926	33,768
	<u> </u>	<u> </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 — 2011	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<u>(54,232)</u>		<u>241,488</u>		<u>187,256</u>	
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	<u>1,249</u>	<u>(2.3)</u>	<u>403</u>	<u>0.2</u>	<u>1,652</u>	<u>0.9</u>
Tax charge at the Group's effective rate	<u> </u>	<u> </u>	<u>43,926</u>	<u>18.2</u>	<u>43,926</u>	<u>23.5</u>

Group – 2010	Hong Kong		Mainland China		Total	
	HK\$ '000	%	HK\$ '000	%	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%).

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.

8. 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.

9. 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.

10. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK\$'000	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	2010
	HK\$'000	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

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

		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
At 1 January		2,795	2,680
Impairment losses recognised	5	12,454	2,299
Impairment losses reversed	5	(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	2010
	HK\$'000	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.

11. 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	2010
	HK\$'000	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

12. SHARE CAPITAL

Shares

	2011	2010
	HK\$'000	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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is 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, crystallised 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).

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 announcement, 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 revariant (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 of (i). As at the date of this announcement, 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.

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 announcement, 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 depository 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 announcement.

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.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 May 2012 to Monday, 7 May 2012, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the annual general meeting.

Shareholders are reminded that in order to qualify for the attendance at 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 Thursday, 3 May 2012.

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 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.

AUDIT COMMITTEE

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

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

The 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.

ANNUAL GENERAL MEETING

The 2011 annual general meeting of the Company will be held on Monday, 7 May 2012 at 2:00 p.m.. Notice of the 2011 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, 20 March 2012

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. KONG Zhanpeng, Mr. ZHANG Fazheng, Mr. XU Zhouwen and Mr. LEE Chi Yung; and three independent non-executive Directors, namely, Mr. CHAN Yuk Tong, Mr. GAO Yunchun and Mr. HO Lic Ki.