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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 2012

FINANCIAL HIGHLIGHTS			
	2012	2011	Change %
Revenue (HK\$'Mn)	4,520	4,275	5.7
Gross profit (HK\$'Mn)	351	545	(35.6)
Profit/(Loss) before tax from continuing operations (HK\$'Mn)	(109)	189	N/A
Loss for the year from a discontinued operation (HK\$'Mn)	(120)	(2)	N/A
Net profit/(Loss) from ordinary activities attributable to shareholders (HK\$'Mn)	(247)	144	N/A
Basic earnings/(Loss) per share (HK cents)	(16.2)	12.0	N/A
Basis earnings/(Loss) per share from continuing operations (HK cents)	(8.8)	12.1	N/A
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 2012 (the “Year”), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	<i>Notes</i>	2012 HK\$’000	2011 HK\$’000
CONTINUING OPERATIONS			
REVENUE	4	4,520,146	4,274,680
Cost of sales		<u>(4,169,239)</u>	<u>(3,730,026)</u>
Gross profit		350,907	544,654
Other income and gains	4	49,581	62,469
Selling and distribution expenses		(255,812)	(231,210)
Administrative expenses		(108,830)	(105,943)
Other expenses		(15,773)	(4,588)
Finance costs	6	(127,749)	(73,682)
Share of losses of jointly-controlled entities		<u>(1,324)</u>	<u>(2,598)</u>
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	5	(109,000)	189,102
Income tax expense	7	<u>(24,756)</u>	<u>(43,926)</u>
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(133,756)	145,176
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	9	<u>(119,819)</u>	<u>(1,846)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(253,575)</u>	<u>143,330</u>
OTHER COMPREHENSIVE INCOME			
Gains on property revaluation		—	51,881
Income tax effect		<u>—</u>	<u>(12,971)</u>
		—	38,910
Exchange differences on translation of financial statements of operations outside Hong Kong		25,747	82,402
Share of other comprehensive income of jointly-controlled entities		<u>—</u>	<u>4,313</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>25,747</u>	<u>125,625</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>(227,828)</u>	<u>268,955</u>

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Profit/(loss) attributable to:			
Owners of the parent		(247,494)	144,072
Non-controlling interests		<u>(6,081)</u>	<u>(742)</u>
		<u>(253,575)</u>	<u>143,330</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(222,196)	269,242
Non-controlling interests		<u>(5,632)</u>	<u>(287)</u>
		<u>(227,828)</u>	<u>268,955</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>11</i>		
Basic			
— For profit/(loss) for the year		<u>HK\$(0.162)</u>	<u>HK\$0.120</u>
— For profit/(loss) from continuing operations		<u>HK\$(0.088)</u>	<u>HK\$0.121</u>
Diluted			
— For profit/(loss) for the year		<u>HK\$(0.162)</u>	<u>HK\$0.120</u>
— For profit/(loss) from continuing operations		<u>HK\$(0.088)</u>	<u>HK\$0.121</u>

Details of the dividends payable and proposed for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,612,495	1,611,046
Prepaid land lease payments		223,864	209,405
Deposits paid for acquisition of property, plant and equipment		23,810	39,716
Goodwill		183,538	183,538
Other intangible assets		3,243	9,316
Prepayments, deposits and other receivables		—	8,435
Deferred tax assets		2,022	1,383
Breeding biological assets		—	9,007
Investments in jointly-controlled entities		—	99,087
Total non-current assets		2,048,972	2,170,933
CURRENT ASSETS			
Inventories		1,065,427	1,165,611
Trade and bills receivables	12	597,585	782,681
Prepayments, deposits and other receivables		296,504	53,194
Trading biological assets		—	1,573
Due from jointly-controlled entities		—	731
Due from the immediate holding company		21,408	21,086
Due from fellow subsidiaries		645,895	645,696
Cash and cash equivalents		557,551	496,816
Total current assets		3,184,370	3,167,388
CURRENT LIABILITIES			
Trade payables	13	78,018	60,752
Other payables and accruals		177,675	207,441
Interest-bearing bank borrowings		1,478,642	1,753,545
Due to fellow subsidiaries		688,736	522,725
Due to the ultimate holding company		26,739	24,896
Tax payable		27,729	28,480
Total current liabilities		2,477,539	2,597,839
NET CURRENT ASSETS		706,831	569,549
TOTAL ASSETS LESS CURRENT LIABILITIES		2,755,803	2,740,482

		2012	2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,755,803</u>	<u>2,740,482</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		323,025	78,358
Deferred tax liabilities		107,696	98,063
Deferred income		<u>1,128</u>	<u>1,128</u>
Total non-current liabilities		<u>431,849</u>	<u>177,549</u>
Net assets		<u><u>2,323,954</u></u>	<u><u>2,562,933</u></u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>14</i>	152,759	152,759
Reserves		<u>2,176,973</u>	<u>2,410,084</u>
		2,329,732	2,562,843
Non-controlling interests		<u>(5,778)</u>	<u>90</u>
Total equity		<u><u>2,323,954</u></u>	<u><u>2,562,933</u></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, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower 2, No. 18 Harcourt Road, Hong Kong. The Group was involved in the manufacture and sale of corn refined products, corn based sweetener products, and retail beef business. In the current year, the Company has decided to exit its retail beef business.

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 (“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\$”).

During the year, a subsidiary of the Company was granted a long term loan of RMB200,000,000 by a bank which was repayable in 2014. Pursuant to the loan facility agreement, a termination event would arise if the subsidiary cannot meet the financial covenants as set out therein. At the end of the reporting period, the subsidiary was unable to comply with certain of these covenants. Accordingly, the whole amount of the long term loan has been reclassified from long term bank borrowings to short term bank borrowings at 31 December 2012. This non-compliance may also trigger cross default of other short term loan agreements in the aggregate outstanding principal amount of RMB280,000,000. The directors have been taking action to rectify the non-compliance. The directors considered that the Group’s inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

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 2012. 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 it 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 revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of amendments to HKFRS 7, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group’s financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity’s continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two 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.

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 this 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 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 2012	Corn refined products HK\$'000	Corn based sweetener products HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	1,875,841	2,644,305	4,520,146
Intersegment sales	551,844	—	551,844
	<u>2,427,685</u>	<u>2,644,305</u>	<u>5,071,990</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(551,844)
Revenue from continuing operations			<u>4,520,146</u>
Segment results	(69,226)	75,910	6,684
<i>Reconciliation:</i>			
Bank interest income			2,989
Unallocated gains			22,241
Corporate and other unallocated expenses			(13,165)
Finance costs			(127,749)
Loss before tax from continuing operations			<u>(109,000)</u>
Segment assets	2,298,973	2,049,536	4,348,509
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(123,110)
Cash and cash equivalents			557,551
Corporate and other unallocated assets			443,707
Assets related to a discontinued operation			6,685
Total assets			<u>5,233,342</u>
Segment liabilities	626,678	276,000	902,678
<i>Reconciliation:</i>			
Elimination of intersegment payables			(123,110)
Interest-bearing bank borrowings			1,801,667
Corporate and unallocated liabilities			326,991
Liabilities related to a discontinued operation			1,162
Total liabilities			<u>2,909,388</u>
Other segment information:			
Share of losses of jointly-controlled entities	—	(1,324)	(1,324)
Capital expenditure*	70,672	89,225	159,897
Depreciation	79,528	62,560	142,088
Amortisation of prepaid land lease payments	5,299	2,172	7,471
Impairment of trade and bills receivables	7,002	3,762	10,764
Write-down/(write-back) of inventories to net realisable value	(132)	1,087	955

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

Year ended 31 December 2011	Corn refined products HK\$ '000	Corn based sweetener products HK\$ '000	Total HK\$ '000
Segment revenue:			
Sales to external customers	1,580,683	2,693,997	4,274,680
Intersegment sales	633,684	—	633,684
	2,214,367	2,693,997	4,908,364
<i>Reconciliation:</i>			
Elimination of intersegment sales			(633,684)
Revenue from continuing operations			4,274,680
Segment results	46,638	224,797	271,435
<i>Reconciliation:</i>			
Bank interest income			1,584
Unallocated gains			35,508
Corporate and other unallocated expenses			(45,743)
Finance costs			(73,682)
Profit before tax from continuing operations			189,102
Segment assets	2,420,025	1,903,966	4,323,991
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(226,468)
Cash and cash equivalents			496,816
Corporate and other unallocated assets			614,663
Assets related to a discontinued operation			129,319
Total assets			5,338,321
Segment liabilities	248,994	268,183	517,177
<i>Reconciliation:</i>			
Elimination of intersegment payables			(226,468)
Interest-bearing bank borrowings			1,831,903
Corporate and unallocated liabilities			532,159
Liabilities related to a discontinued operation			120,617
Total liabilities			2,775,388
Other segment information:			
Share of losses of jointly-controlled entities	—	(2,598)	(2,598)
Capital expenditure*	454,881	87,385	542,266
Depreciation	45,512	58,198	103,710
Amortisation of prepaid land lease payments	3,723	1,777	5,500
Impairment/(write-back) of trade and bills receivables	(244)	374	130
Impairment of other receivables	—	751	751
Write down/(write-back) of inventories to net realisable value	2,040	(349)	1,691

Geographical information

(a) Revenue from external customers

	2012 HK\$'000	2011 <i>HK\$'000</i>
Mainland China	4,290,111	4,052,581
Regions other than Mainland China	230,035	222,099
	<u>4,520,146</u>	<u>4,274,680</u>

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2012 HK\$'000	2011 <i>HK\$'000</i>
Mainland China	2,043,298	2,122,704
Regions other than Mainland China	3,652	46,846
	<u>2,046,950</u>	<u>2,169,550</u>

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

Information about a major customer

Revenue from continuing operations of approximately HK\$663,183,000 (2011: HK\$730,120,000) and HK\$21,470,000 (2011: nil) during the year ended 31 December 2012 was derived from sales by the corn based sweetener products segment and the corn refined products segment, respectively, to group companies of the ultimate holding company.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Revenue		
Sale of goods	<u>4,520,146</u>	<u>4,274,680</u>
Other income		
Bank interest income	2,989	1,584
Net profit arising from sale of packing materials and by-products	15,230	16,468
Government grants*	2,823	6,334
Others	<u>4,188</u>	<u>12,706</u>
	<u>25,230</u>	<u>37,092</u>
Gains		
Gain on bargain purchase	13,479	25,377
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	12,582	—
Fair value loss of investments in jointly-controlled entities	<u>(1,710)</u>	<u>—</u>
	<u>24,351</u>	<u>25,377</u>
	<u>49,581</u>	<u>62,469</u>

* Government grants for 2012 represented the rewards to certain subsidiaries located in Mainland China.

5. PROFIT/(LOSS) BEFORE TAX

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Cost of inventories sold	3,451,397	3,140,168
Depreciation	142,088	103,710
Amortisation of prepaid land lease payments	7,471	5,500
Auditors' remuneration	3,081	2,485
Employee benefit expenses (excluding directors' remuneration)		
Wages and salaries	55,351	47,176
Equity-settled share option expense	—	5,546
Pension scheme contributions	6,590	6,243
	61,941	58,965
Foreign exchange differences, net	600	(8,690)
Gain on bargain purchase*	(13,479)	(25,377)
Exchange differences reclassified from reserves		
when the jointly-controlled entities became subsidiaries	(12,582)	—
Fair value loss of investments in jointly-controlled entities	1,710	—
Write-down of inventories to net realisable value	955	1,691
Impairment of trade and bills receivables	10,764	130
Impairment of prepayments, deposits and other receivables	—	751
Loss on disposal of items of property, plant and equipment	2,375	369

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

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	128,205	62,334
Finance costs for discounting bills receivable	4,480	11,348
Total interest expense on financial liabilities not at fair value through profit or loss	132,685	73,682
Less: interest capitalised	(4,936)	—
	127,749	73,682

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	
	2012	2011
	HK\$'000	HK\$'000
Current — Hong Kong	—	—
Current — Elsewhere	20,402	41,528
Deferred	4,354	2,398
Total tax charge for the year	24,756	43,926

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 — 2012	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Loss before tax from continuing operations	<u>(489)</u>		<u>(108,511)</u>		<u>(109,000)</u>	
Tax at the statutory rate	(81)	16.6	(27,128)	25.0	(27,209)	25.0
Tax losses utilised from previous periods	—	—	(287)	0.3	(287)	0.3
Adjustments in respect of current tax of previous periods	—	—	3,922	(3.6)	3,922	(3.6)
Unrecognised tax losses	3,124	(638.9)	45,644	(42.1)	48,768	(44.8)
Income not subject to tax	(3,848)	786.9	—	—	(3,848)	3.5
Expenses not deductible for tax	<u>805</u>	<u>(164.6)</u>	<u>2,605</u>	<u>(2.4)</u>	<u>3,410</u>	<u>(3.1)</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>24,756</u>	<u>(22.8)</u>	<u>24,756</u>	<u>(22.7)</u>
Group — 2011	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit/(loss) before tax from continuing operations	<u>(54,232)</u>		<u>243,334</u>		<u>189,102</u>	
Tax at the statutory rate	(8,948)	16.5	60,834	25.0	51,886	27.4
Preferential tax rate offered (note (a))	—	—	(12,952)	(5.3)	(12,952)	(6.8)
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)	6,216	2.6	13,991	7.3
Income not subject to tax	(76)	0.1	(7,364)	(3.0)	(7,440)	(3.9)
Expenses not deductible for tax	<u>1,249</u>	<u>(2.3)</u>	<u>430</u>	<u>0.2</u>	<u>1,679</u>	<u>0.9</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>43,926</u>	<u>18.1</u>	<u>43,926</u>	<u>23.2</u>

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2011: 25%).

Notes:

- (a) No (2011: one) subsidiary was subject to tax concessions in 2012. In the year ended 31 December 2011, the total taxable profit of the subsidiary that was subject to tax concessions amounted to approximately HK\$107,937,000. 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) In the year ended 31 December 2011, the tax rate of two 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/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2012 includes a gain of HK\$46,084,000 (2011: loss of HK\$38,441,000) which has been dealt with in the financial statements of the Company.

9. DISCONTINUED OPERATION

On 21 December 2012, the Company announced the decision of its board of directors to exit its retail beef business in order to eliminate the risks of quality assurance in view of the tightening food safety policy in Mainland China and enable the Group to channel its resources to the core corn based business.

The results of the retail beef business for the year are presented below:

	2012 HK\$'000	2011 HK\$'000
Revenue	4,968	139,397
Cost of sales	(5,193)	(126,663)
Other revenue	3	413
Selling and distribution expenses	(486)	(637)
Administrative expenses	(8,731)	(1,482)
Other expenses	(110,380)	(12,874)
Loss before tax from the discontinued operation	(119,819)	(1,846)
Income tax	—	—
Loss for the year from the discontinued operation	<u>(119,819)</u>	<u>(1,846)</u>

The net cash flows incurred by the discontinued operation are as follows:

	2012 HK\$'000	2011 HK\$'000
Operating activities	(6,531)	17,694
Investing activities	(7)	(9,922)
Financing activities	1,270	(4,160)
Net cash inflow/(outflow)	(5,268)	3,612
Loss per share:		
Basic, from the discontinued operation	HK\$(0.075)	HK\$(0.001)
Diluted, from the discontinued operation	HK\$(0.075)	HK\$(0.001)

The calculations of basic and diluted earnings/(loss) per share from the discontinued operation are based on:

	2012	2011
Loss attributable to ordinary equity holders of the parent from the discontinued operation	HK\$(113,828,000)	HK\$(1,104,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation (note 11)	1,527,586,000	1,196,261,000
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation (note 11)	1,527,586,000	1,196,261,000

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2012 and 31 December 2011.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK\$247,494,000 (2011 profit: HK\$144,072,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 (2011: 1,196,261,000).

As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the years ended 31 December 2012 and 2011, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the years ended 31 December 2012 and 2011. Therefore, the diluted loss per share amount was equal to the basic loss per share amount for the years ended 31 December 2012 and 2011.

12. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	HK\$'000	HK\$'000
Trade receivables	492,852	535,421
Bills receivable	186,938	259,963
Impairment	(82,205)	(12,703)
	<u>597,585</u>	<u>782,681</u>

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 three customers located in Mainland China which accounted for 26% of the total trade and bills receivables as at 31 December 2012 (2011: one customer accounted for 7%).

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	
	2012	2011
	HK\$'000	HK\$'000
Within 1 month	223,500	322,207
1 to 2 months	184,826	190,508
2 to 3 months	79,331	40,431
Over 3 months	109,928	229,535
	<u>597,585</u>	<u>782,681</u>

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

	2012	2011
	HK\$'000	HK\$'000
At 1 January	12,703	2,795
Impairment losses recognised	69,376	12,454
Impairment losses reversed	(31)	(278)
Amount written off as uncollectible	—	(2,439)
Exchange realignment	157	171
	<u>82,205</u>	<u>12,703</u>

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK\$82,205,000 (2011: HK\$12,703,000) with a carrying amount before provision of HK\$95,877,000 (2011: HK\$68,593,000).

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	
	2012	2011
	HK\$'000	HK\$'000
Neither past due nor impaired	547,661	596,151
Less than 1 month past due	19,466	83,813
1 to 3 months past due	18,573	30,002
Over 3 months past due	11,885	72,715
	597,585	782,681

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.

As at 31 December 2012, no trade receivables or bills receivable (2011: HK\$28,067,000 and HK\$88,565,000 respectively) were pledged to secure bank loans.

13. 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	
	2012	2011
	HK\$'000	HK\$'000
Within 1 month	55,178	45,130
1 to 2 months	12,693	6,210
2 to 3 months	4,594	7,145
Over 3 months	5,553	2,267
	78,018	60,752

14. SHARE CAPITAL

Shares

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Authorised: 100,000,000,000 (31 December 2011: 100,000,000,000) ordinary shares of HK\$0.10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid: 1,527,586,000 (31 December 2011: 1,527,586,000) ordinary shares of HK\$0.10 each	<u>152,759</u>	<u>152,759</u>

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 the corn procurement business, which corn kernels are purchased directly from corn origination silos for cost savings.

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.

According to the National Bureau of Statistics of China, the corn harvest in the People's Republic of China (the "PRC") in 2012/13 exceeds 208 million metric tonnes ("MT"), representing a 8.0% increase comparing to the corresponding period last year. However, with the strong demands from the feed industry and other sectors, the average purchasing price of corn kernels increased by approximately 6.3% for the Year.

Nevertheless, the slow growing economy has kept the corn refined products prices at the trough. During the Year, the PRC economy recorded its slowest growth rate since 2009 as a result of the rise in production costs, the tightened property policy and the weak export. On the other hand, the pace of the global economic recovery remained slow and the European Union debt crisis has yet to be resolved, sentiment among buyers and manufacturers stayed conservative since the fourth quarter of 2011. In addition, the market is flooded with abundant supply of corn starch as a consequence of drastic expansions of corn refineries since 2009 when the PRC Government easing its monetary policy. The average selling price of corn starch hit the record low at approximately RMB2,800 per MT by the end of the Year.

On the other hand, after three consecutive years of declining cane sugar production since 2009, the production volume of cane sugar finally rebound. As a result, the price of cane sugar, a substitute of the Group's corn sweetener products, dropped to approximately RMB5,800 per MT by the end of the Year, putting pressure on the prices of the Group's sweetener products.

In relation to the Company's retail beef business, with the tightened food safety policy in China, immense pressure has been put on the Company in the supply chain management. The management anticipates the Company may be exposed to higher risks and uncertainties that may arise during the procurement of raw materials. Therefore, the Company has decided to exit its retail beef business. The Board considers that such decision would eliminate the risks of quality assurance and enable the Group to channel its resources to the core corn based businesses. As a result, provisions have been made on long outstanding trade receivables and obsolete inventories, and the loss attributable to the retail beef business during the Year amounted to approximately HK\$120 million. Despite the provision in relation to the retail beef business, the Group will endeavour to recover these trade receivables.

However, with the expectation that the market will digest the excess capacity as global economy gradually revives, the Board is of the view that the operating environment in 2013 will improve. After more than a decade's development, the Group has laid a solid foundation with a strong management team and a well-established sales and marketing network, backed up by an outstanding R&D and production team. In face of current poor market sentiment, the Group has proven itself the ability to withstand all challenges. Leveraging on the Group's leading position in production capacity and market share, the Board believes that the Group could expect a better performance in the second half of 2013.

FINANCIAL PERFORMANCE

The Group's consolidated revenue increased by approximately 5.7% to approximately HK\$4,520 million (2011: HK\$4,275 million) while gross profit decreased by approximately 35.6% to HK\$351 million (2011: HK\$545 million) when compared to the corresponding period last year. The revenue increase was mainly attributable to the increase in sales volume. However, as a result of the poor performance of the upstream business, high production costs, weak market selling prices in contrast to the highflying raw material cost and the loss from the discontinued operation in relation to the retail beef business amounted to approximately HK\$120 million, the Group's net loss attributable to shareholders for the Year amounted to approximately HK\$247 million (2011: net profit HK\$144 million).

Upstream products

(Sales amount: HK\$1,876 million (2011: HK\$1,581 million))

(Gross profit: HK\$49 million (2011: HK\$105 million))

With respect to raw material prices fluctuations, it has always been one of the Group's main objectives to secure our corn kernel supply at the lowest cost. Subject to market movements, the Group will explore possibilities to better utilise our current corn storage facilities, further reduce corn costs and to secure our corn supply with a more comprehensive corn procurement policy and network. To achieve this, in the fourth quarter of year 2011, the Group established two silos at corn originations to procure corn directly from local farmers. It is expected that such arrangements will further secure the quality and abundant supply of corn kernel at the lowest cost.

During the Year, the revenue and gross profit of corn procurement business amounted to approximately HK\$155 million and HK\$10 million (2011: nil and nil) respectively. Internal consumption of corn kernels for upstream production during the Year amounted to approximately 74,000 MT (2011: Nil).

During the Year, the sales volume of corn starch and other corn refined products were approximately 270,000 MT (2011: 305,000 MT) and 294,000 MT (2011: 204,000 MT) respectively. Internal consumption of corn starch was approximately 181,000 MT (2011: 167,000 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 increased by approximately 3.0% to HK\$3,400 per MT (2011: HK\$3,300 per MT) while other corn refined products remained flat at HK\$2,800 per MT (2011: HK\$2,800 per MT) as compared to the corresponding period last year. However, cost of sales increased by approximately 14.0% which was mainly attributable to the increase in raw material costs and other manufacturing costs as a result of inflationary pressure in the PRC. In addition, the average selling price of corn starch increased slightly during the Year due to the stagnant corn starch market. Consequently, the corn starch segment recorded a gross profit margin of approximately 9.6% (2011: 17.3%) while other corn refined products segment recorded a gross loss margin of approximately 6.0% (2011: 12.7%) during the Year.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Year and is expected to continue in the first half of 2013.

Nevertheless, as the preliminary China Manufacturing Purchasing Managers Index rose to its 24-months high in January 2013, it is believed that this will boost the market confidence in China's outlook for year 2013. The management believes the operating environment in China will gradually improve starting from the third quarter of 2013.

Corn syrup

(Sales amount: HK\$1,824 million (2011: HK\$1,682 million))

(Gross profit: HK\$231 million (2011: HK\$274 million))

On 30 March 2012, the Group entered into an agreement for the acquisition of the remaining shareholding of jointly-controlled entities from Cargill, Incorporated (“Cargill”). The acquired entities are principally engaged in the manufacture and sale of high fructose corn syrup 42 (“HFCS 42”) with an annual production capacity of 120,000 MT in Shanghai. The acquisition has enhanced the Group’s operational efficiency and management flexibility over production planning and human resources deployment.

Shanghai Hao Cheng Food Development Co., Ltd. (“Haocheng”), one of the Group’s subsidiaries, has developed a well-marketed brand name “Haocheng” for all sweeteners products produced in Shanghai. With the success of the brand name, Haocheng sold 6,800 MT of HFCS 42 during the Year (2011: nil), generating a revenue of HK\$24 million (2011: nil) approximately, with a gross profit and gross profit margin of approximately HK\$3 million and 14.0% (2011: nil and nil) respectively. For the new product HFCS 55, production of which commenced in December 2011, it recorded a sales volume and revenue of approximately 25,000 MT and HK\$103 million (2011: nil and nil) respectively during the Year with a gross profit and gross profit margin of approximately HK\$18 million and 17.1% respectively.

During the Year, the average selling price of glucose syrup decreased by approximately 2.9% while the sales volume increased to approximately 302,000 MT (2011: 278,000 MT) as compared to the corresponding period last year. Consequently, the revenue of glucose syrup grew by approximately 5.6% to approximately HK\$870 million (2011: HK\$824 million).

The average selling price of maltose syrup during the Year remained flat while the sales volume decreased by approximately 3.3% to 234,000 MT (2011: 242,000 MT) as compared to the corresponding period last year. As a result, the revenue of maltose syrup decreased by approximately 3.6% to HK\$827 million (2011: HK\$858 million).

Internal consumption of glucose syrup for downstream production during the Year decreased to approximately 164,000 MT (2011: 281,000 MT) which was mainly attributable to the decrease in production volume of crystallised glucose.

As a result of the significant increase in raw material price as compared to the corresponding period last year, gross profit margins of glucose syrup and maltose syrup segments decreased to approximately 12.1% (2011: 15.9%) and 12.7% (2011: 16.6%) respectively.

During the Year, the Group sold approximately 235,000 MT (2011: 204,000 MT) of glucose syrup to the Global Bio-Chem Technology Group Company Limited (“GBT”) and its subsidiaries (other than members comprising the Group and the Company’s jointly-controlled entities, the “GBT Group”).

Corn syrup solid

(Sales amount: HK\$820 million (2011: HK\$1,012 million))

(Gross profit: HK\$71 million (2011: HK\$166 million))

The revenue of corn syrup solid decreased by approximately 19.0% during the Year. It was mainly attributable to the decrease in sales volume of crystallised glucose. The average selling price of crystallised glucose increased by approximately 20.0% while sales volume decreased by approximately 55.5% to 65,000 MT (2011: 146,000 MT). Consequently, the revenue of crystallised glucose decreased by approximately 46.5% to approximately HK\$255 million (2011: HK\$477 million).

During the Year, the average selling price of maltodextrin decreased by approximately 1.3% while the sales volume increased by 6.8% to approximately 156,000 MT (2011: 146,000 MT). As a result, the revenue of maltodextrin increased by approximately 5.6% to approximately HK\$565 million (2011: HK\$535 million).

Due to the drop in sales volumes and the rise in raw material cost during the Year, crystallised glucose segment recorded a gross profit of approximately HK\$15 million (2011: HK\$79 million) with a gross profit margin of 5.8% (2011: 16.5%); while maltodextrin segment recorded a gross profit of approximately HK\$56 million (2011: HK\$87 million) with a gross profit margin of 10.0% (2011: 16.3%).

During the Year, the Group sold approximately 8,000 MT (2011: 77,000 MT) of crystallised glucose to the GBT Group.

Retail business

(Loss from discontinued operations: HK\$120 million (2011: HK\$2 million))

As the Company has decided to exit its retail beef business, this segment has been presented as discontinued operation and net loss of approximately HK\$120 million.

Export sales

During the Year, the Group exported approximately 73,000 MT (2011: 47,000 MT) of upstream corn refined products and approximately 15,000 MT (2011: 29,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$166 million (2011: HK\$103 million) and HK\$64 million (2011: HK\$119 million) respectively, representing approximately 5.1% (2011: 5.2%) 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 decreased by 19.4% to approximately HK\$50 million (2011: HK\$62 million) which was mainly attributable to the gain on bargain purchase arising from the acquisition of a corn refinery of approximately HK\$25 million in year 2011, which was not applicable for the Year.

Selling and distribution costs

During the Year, the selling and distribution costs representing 5.7% (2011: 5.4%) of the Group's revenue increased by 10.8% to approximately HK\$256 million (2011: HK\$231 million) which was mainly attributable to the rise in transportation costs and packaging costs due to the highflying petroleum price and the increase in export sales volume.

Administrative expenses

Subsequent to the acquisition of Changchun Jincheng Corn Development Co., Ltd. ("Changchun Jincheng") in November 2011 and the remaining shareholding interest in the jointly-controlled entities in March 2012, the sales volume and number of headcounts of the Group increased. As a result, the administrative expenses increased by 2.8% to approximately HK\$109 million (2011: HK\$106 million), representing 2.4% (2011: 2.5%) of the Group's revenue.

Other operating expenses

Other operating expenses include mainly the impairment of trade and bills receivables amounted to approximately HK\$11 million.

Finance costs

During the Year, finance costs of the Group increased to approximately HK\$128 million (2011: HK\$74 million) due to the increase in bank borrowings of approximately HK\$749 million as a result of the acquisition of Changchun Jincheng in November 2011.

Income tax

Although the Group recorded a net loss during the Year, certain subsidiaries in PRC incurred net profit and were subject to PRC enterprise income tax. As a result, income tax expenses amounted to approximately HK\$25 million was provided (2011: HK\$44 million).

Net loss attributable to shareholders

As a result of the high production costs, weaker than expected market selling prices and loss from discontinued operation in relation to the retail beef business, the Group recorded a net loss of approximately HK\$247 million (2011: net profit HK\$144 million) during the Year.

IMPORTANT TRANSACTIONS

Acquisition of jointly-controlled entities

On 30 March 2012, Global Sweeteners Investments Limited (“GSIL”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the “SP Agreement”) with Cargill to acquire the entire shareholding (“SPV-HK Sale Interest”) owned by Cargill in Global Bio-chem-Cargill (Holdings) Limited (now known as Global Sweeteners HFCS (Holdings) Limited) (“SPV-HK”), the entire equity interest (“SPV-PRC Sale Interest”) held by Cargill Investments (China) Ltd. (“Cargill China”) in GBT-Cargill High Fructose (Shanghai) Co., Ltd. (now known as Shanghai Da Yi Food Co., Ltd.) (“SPV-PRC”) and the rights, interest and benefits of Cargill in respect of a promissory note in favour of Cargill in the principal amount to HK\$40 million due on 25 September 2101 (“Note Assignment Interest”, together with the SPV-HK Sale Interest and the SPV-PRC Sale Interest, the “Sale Interest”).

Under the SP Agreement, Cargill shall sell to GSIL the SPV-HK Sale Interest and procure Cargill China to sell to Datex Investments Limited (a wholly owned subsidiary of the Company) the SPV-PRC Sale Interest and assign to GSIL the Note Assignment Interest. The aggregate consideration for the Sale Interest amounted to approximately HK\$32,977,000.

Completion of the acquisition of the SPV-HK Sale Interest and the Note Assignment Interest have taken place immediately upon the signing of the SP Agreement, and the acquisition of the SPV-PRC Sale Interest was completed in October 2012. After completion, SPV-HK and SPV-PRC have become wholly owned subsidiaries of the Company.

Relocation of the production facilities

As announced by the Company on 21 December 2012, the Company is currently working on a proposal for the possible relocation of the production facilities of the Group in Changchun to the site in Xinlongshan, Changchun, the PRC. In preparation for such relocation, the Company is studying the feasibility of the construction of glucose/maltose production plant with an annual production capacity of 300,000 mtpa in Xinlongshan. Further announcement(s) will be made upon finalisation of the proposed plan and government approval.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group's net borrowings decreased by 6.8% to approximately HK\$1,244 million (31 December 2011: HK\$1,335 million) as at 31 December 2012 as a result of the net cash inflow from operating activities of approximately HK\$54 million.

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 2012, out of the amounts due from fellow subsidiaries, approximately HK\$407 million representing the trade nature portion (31 December 2011: HK\$428 million) was taken into consideration in the calculation of trade receivables turnover days. During the Year, the trade receivables turnover days decreased to approximately 81 days (31 December 2011: 103 days) which was mainly attributable to the stringent control on credit terms that has been applied. Subsequent to the end of the reporting period, approximately HK\$457 million of trade and bills receivables was settled.

Meanwhile, the outstanding trade related balances of approximately HK\$411 million (31 December 2011: HK\$452 million) as at 31 December 2012 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 decreased to approximately 43 days (31 December 2011: 50 days) as part of the cash flow management.

Due to the decrease in the inventory level of corn kernels in Jinzhou Yuancheng Bio-Chem Technology Co., Ltd., Changchun Jincheng and the two corn origination silos to approximately 319,000 MT (31 December 2011: 372,000 MT), the inventory turnover days had decreased to approximately 94 days for the Year (31 December 2011: 114 days).

The current ratio as at 31 December 2012 increased to approximately 1.29 (31 December 2011: 1.22) and quick ratio increased to approximately 0.86 (31 December 2011: 0.77) due to the decrease in short term bank borrowings as a result of refinancing HK\$300 million of short term borrowings to long term ones. Gearing ratios in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 53.5% (31 December 2011: 52.1%). Gearing ratio remained at similar level due to the stringent control over operating cash flows during the Year. Interest coverage (i.e. EBITDA over finance costs) decreased to approximately 1.3 times (2011: 5.1 times) as a result of decrease in EBITDA to approximately HK\$169 million (2011: HK\$373 million) for the Year and increase in finance costs by 73.0% to approximately HK\$128 million (2011: HK\$74 million).

Structure of interest bearing borrowings

As at 31 December 2012, the Group's bank borrowings amounted to approximately HK\$1,802 million (31 December 2011: HK\$1,832 million), of which approximately 3.9% (31 December 2011: 4.4%) was denominated in Hong Kong dollars and approximately 2.4% (31 December 2011: Nil) was denominated in US dollars while the remainder was denominated in Renminbi. The average interest rate during the Year decreased to approximately 6.3% (2011: 6.5%) per annum as a result of the decrease in the PRC interest rate.

As announced by the Company on 22 March 2013, a wholly owned subsidiary of the Company was not able to fulfill certain financial covenants of a loan agreement for an outstanding principal amount of RMB200 million due August 2014. Such breach may also trigger cross default provisions of other loan agreements in the aggregate outstanding principal amount of RMB280 million which are repayable within one year. As a result, the outstanding principal amount of RMB200 million was re-classified as wholly repayable within one year at 31 December 2012.

The percentage of interest bearing borrowings wholly repayable within one year or on demand and in the second to the fifth years were approximately 82.1% (31 December 2011: 95.7%) and 17.9% (31 December 2011: 4.3%) respectively. The change in repayment pattern was mainly due to reallocation of short term bank borrowings to long term bank borrowings during the Year.

As the Group's usual cost control measures, the Group generally procures corn kernels, being the raw material for corn starch, during the period from October to April each year to meet the production requirement during the period from May to September each year. Since it is in line with the PRC government's policy to support agricultural companies, local banks had offered short term bank borrowings to Changchun Dihao Foodstuff Development Co., Ltd ("Changchun Dihao") for financing the purchase of corn kernels. The short term bank borrowings of Changchun Dihao as at 31 December 2012 amounted to approximately HK\$667 million. In light of the market demand of the Group's products and given that the Group's inventory of corn kernels are generally consumed during the period from May to September each year, it is expected that the Group will be able to generate income from the sales of the end products and repay these short term bank borrowings. Moreover, the Group has been able to maintain a healthy level of working capital and current assets, with net cash inflows from operating activities amounted to approximately HK\$54 million during the Year (2011: HK\$132 million), and the current ratio of approximately 1.29 as at 31 December 2012 (31 December 2011: 1.22). In the long run, the Group targets to lower the gearing ratio to 40% by year 2016.

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 the global market. To achieve this objective, the Group will strive to enlarge its market share, diversify its product mix, and enhance its capability in developing high value-added products and new applications through in-house research and development and 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 the utmost importance for the Group to maintain its leading position in the market in terms of production capacity and market share.

EXPANSION OF PRODUCTION CAPACITY

In terms of capacity expansion for the Group's long term strategy, the Board intends to establish new production facilities in the proximities of the Group's current production facilities and in other locations in the PRC. It is 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 supplies 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 which is expected to complete by the second half of 2013.

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.

At present, the Directors are of a prudent view that the Company should continue to observe market movements and assess from time to time the need and feasibility of capacity expansion.

USE OF PROCEEDS FROM THE COMPANY'S TDR ISSUE

As announced by the Company on 18 March 2010, it was the Board's then intention to use the net proceeds from the issue of the Taiwan depositary receipts ("TDR Issue") for the working capital of the Group's high end beef products business. The net proceeds received by the Company from the TDR Issue were about HK\$184 million, of which about HK\$90 million had been used for the working capital for the Group's high end beef products business as of March 2012.

The Board is more inclined to directing more resources to the Group's core corn based businesses. As such, in order to better utilise the cash resources of the Group, the Board has resolved to direct the then remaining net proceeds of about HK\$94 million received from the TDR Issue to the use as general working capital of the Group. As of the date of this announcement, all of the amount of about HK\$94 million has been utilised as general working capital of the Group. In view of the increasing food safety awareness in the PRC, the Board has also decided to exit the retail beef business after evaluating the potential risk and the current market sentiment.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2012, the Group has approximately 1,600 full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, hence has placed great emphasis on the recruitment of qualified and experienced personnel to enhance Group's production capability and products innovation. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commissions.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 May 2013 to Monday, 20 May 2013, 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 Share 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 Wednesday, 15 May 2013.

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

Save as disclosed below, the Company has complied with all code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 December 2012 (including CG Code provisions with effect from 1 April 2012).

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors should also attend general meetings. Due to other business engagements, some independent non-executive Directors could not attend the annual general meeting of the Company held on 7 May 2012 and the extraordinary general meeting of the Company held on 14 November 2012. However, at the respective general meetings of the Company, there were other Directors present to enable the Board to develop a balanced understanding of the views of the shareholders.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established in accordance with the requirements of the CG 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 CG Code provisions. 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 three meetings in 2012.

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 2012.

ANNUAL GENERAL MEETING

The 2012 annual general meeting of the Company will be held on Monday, 20 May 2013 at 2:00 p.m.. Notice of the 2012 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, 26 March 2013

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